

<b>Subject:</b>	<b>Victoria Road Housing Scheme Update</b>		
<b>Date of Meeting:</b>	<b>29 April 2020</b>		
<b>Report of:</b>	<b>Pinaki Ghoshal, Executive Director Housing, Neighbourhoods and Communities</b>		
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<b>Ward(s) affected:</b>	<b>South Portslade</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The latest combined cost for the construction of the Sports Pavilion and Housing Schemes is significantly higher (£2.600m) than the original budget of £12.914m approved by Housing Committee on 14 November 2018 and by Policy, Resources & Growth Committee on 6 December 2018.
- 1.2 There are a number of reasons for this increase in cost. Significant construction cost inflation over the intervening period that the budget was approved, has undoubtedly had a significant impact. Market factors such as labour and skills shortages as well as uncertainty over Brexit, have also been influencing prices which is reflected in the increased risk allowances that have been set aside by the council's QS (Potter Raper) in their latest cost report.
- 1.3 Other factors which have contributed to the increase in costs, which are specific to this scheme are:
  - the significant re-design undertaken by the council's Lead Architect in the light of the pre-planning application consultations and feedback from the South East Design Panel;
  - the council's policy shift towards delivering more sustainable housing development, which is designed to reduce carbon emissions and to meet the council's Climate Change objectives; and
  - the need for new residential schemes to meet more stringent fire safety standards following the fires at Grenfell and Pankhurst Avenue.

- 1.4 This report provides Members with a detailed breakdown of costs, together with a robust explanation of why costs have increased overall. It is supported by information prepared by the council's Quantity Surveyors (QS), Potter Raper, who were tasked with carrying out the necessary checks and balances on the reporting of costs by the Lead Contractor (Morgan Sindall). It also outlines the recent tender process which was undertaken for the Sports Pavilion in order to test the market and demonstrate that the council is achieving Best Value.

## 2. RECOMMENDATIONS:

- 2.1 That the latest Order of Costs for the Housing and Sports Pavilion scheme is noted; and
- 2.2 That the additional budget of £2.600m is approved in principle (subject to confirmation from Policy & Resources Committee) to ensure the construction of the Sports Pavilion and Housing Scheme goes ahead as soon as practically possible.

## 3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 This report provides members with the revised Order of Cost for the Victoria Road Housing and Sports Pavilion Scheme, following a due diligence exercise carried out by Potter Raper on behalf of the council. The results are summarised in Table 1.

**Table 1: Order of Costs for the Housing and Sports Pavilion scheme**

Cost element	Approved Budget £'000	Revised Budget Estimate £'000	Variance £'000
<b>Sports Pavilion</b>			
Construction Costs	781	1,295	514
Professional Fees		130	130
<b>Housing Development</b>			
Land Cost	1,454	1,454	-
Residential Build	9,632	11,418	1,786
S106	203	189	14
Professional Fees	844	1,016	172
<b>Total Costs</b>	<b>12,914</b>	<b>15,502</b>	<b>2,588</b>

N.B. For comparative purposes, the budget figures are based on a Reinforced Concrete (RC) Frame.

- 3.2 As Table 1 demonstrates, the combined cost of the Sports Pavilion and Housing scheme has increased by £2.600M from the approved budget of £12.914m in November 2018. The original budget approval was for the delivery of both the

Sports Pavilion and Housing schemes. This was in recognition that the re-provision of a new Sports Pavilion would enable Portslade Bowls Club to relinquish their existing premises in order to facilitate the release of the entire site for 42 new council homes. It is worth noting, that if the Bowls Club were to remain where they are, then only 15 new council homes would be delivered. By using Land Release Funding and HRA funding to subsidise the provision of a new Sports Pavilion in Victoria Recreation Ground, an additional 27 new council homes will be generated to help address the city's 'housing crisis'.

- 3.3 Since the original budget approved by Housing Committee, assumed that the superstructure for the housing scheme would be a reinforced concrete (RC) frame, the latest figures provided by Potter Raper also assume a concrete frame. However a decision has subsequently been taken, after consultation with the Housing Supply Members Board, to proceed to detailed design stage using a Modern Method of Construction (MMC) i.e. a light gauge steel frame superstructure. This will not only be more environmentally friendly but it will also be quicker to erect leading to possible savings of circa £0.227m as a result of the reduction in programme time (estimated at 5-6 weeks) and associated preliminaries (i.e. craneage etc.). The amount of reduction in Total Scheme Costs cannot be quantified yet because the scheme has not reached the detailed design stage. Consequently, it is the advice of the council's QS, that the budget calculations should be based on the reinforced concrete frame, since this is likely to represent the "worst case scenario" in terms of additional budget required to deliver the project.

#### **Sports Pavilion and bowling green**

- 3.4 The provision of the new Sports Pavilion will be on the site where the former football pavilion stood in the south eastern corner of Victoria Recreation Ground. The new Sports Pavilion will include changing facilities for both Portslade Bowls Club and football teams currently using the park. The design of the Sports Pavilion has been undertaken in-house by the council's architecture team in conjunction with contractors on the council's Strategic Construction (City Build) Partnership. Following planning approval of the scheme in December 2019, a cost review was undertaken by the council's QS (Potter Raper) in order to demonstrate that value-for-money had been achieved under the council's existing Partnership arrangement. This exercise revealed that the costs of the Pavilion were higher than the budget which was approved by Housing Committee in November 2018. Under the council's due diligence procedures, Potter Raper were unable to recommend Best Value and advised the council to test the market.
- 3.5 The council's Executive Director Housing, Neighbourhoods and Communities exercised their Urgency Powers to enable officers to undertake the tender exercise as quickly as possible, in order to keep the project on Programme. Officers sought advice from the Council's Procurement Team who identified that the quickest procurement route would be to use an existing Framework. The Orbis Capital Framework covers the Surrey and East Sussex catchment area and is used as a vehicle to deliver a diverse range of construction projects and programmes across the public sector. It comprises a suite of Framework documents that have already been approved by the council's Legal, Finance and Procurement teams.

- 3.6 The tenders were sent out to the three contractors: Beard Construction, Baxall Construction and Sunninghill Construction Company Ltd on 19 December 2019. Despite extending the period for the Contractors to return their tenders by two weeks to take account of the Christmas holidays, only one contractor (Sunninghill) was able to meet the deadline, returning a tender of c.£1,297m. Their tender submission was very close to Morgan Sindall's cost estimate of £1.400M. Testing the market in this way, has enabled the council's QS to carry out their cost comparisons and complete their Best Value review.
- 3.7 The latest tender return has been used to inform the Sports Pavilion costs contained in Table 1. This demonstrates that there is an estimated funding gap of c.£0.514m for the construction of the Sports Pavilion. The extra cost of the Sports Pavilion is as a consequence of:
- Meeting the FA's current requirements for football changing facilities rather than a like-for-like re-provision of the former changing rooms. The FA have made it clear that the new facility would need to meet the latest space standards and specifications set out in the Sport England, FA and Football Foundation guidance for Changing Rooms. Adhering to these standards and specifications has resulted in enhanced football facilities, which have contributed significantly to the extra costs associated with the Pavilion.
  - Meeting Bowls England requirements for changing rooms and bowling facilities, as well as meeting the particular needs of Portslade Bowls Club. In order to secure the Club's consent to move to Victoria Recreation Ground, it was necessary for officers to agree some enhancement of their facilities. The new Sports Pavilion therefore provides the Club with an artificial bowling green and indoor short mat bowls facility, which should help to extend the duration of their bowling season. Whilst the capital costs may be higher in the short-run, the ongoing maintenance obligations to the council of an artificial green will be significantly lower than a traditional bowling green which needs regular ground maintenance and watering.
- 3.8 Officers have been exploring with the council's Sports Facilities Manager whether the project would be eligible for Sports England Strategic Facilities or Football Foundation funding. Whilst the project meets some of the criteria for securing funding, the process for applying is likely to be long and a positive outcome cannot be guaranteed. If officers wait until a future bid is determined, this would cause a significant delay to the project, leading to a higher risk of build cost inflation for both the Sports Pavilion and the follow-on Housing scheme. This would also jeopardise the Government's Land Release Funding of £0.340m awarded for the construction of the new Sports Pavilion which needs to be expended in this financial year 2021/22. On this basis, the Housing Supply Members Board advised at its meeting on 6 March that officers could award the Contract and proceed with the project based on other funding options to support the shortfall were being explored. This was supported as the release of the existing bowling green enables an additional 27 homes to be included in the scheme.

### **Housing Scheme**

- 3.9 The proposed housing scheme is located on the former Victoria Road Housing Office, Portslade Bowls Club and bowling green site, adjacent to Portslade Town

Hall. The housing office functions were accommodated within a new two storey extension on the south elevation of Portslade Town Hall and other council offices across the city. In 2018, the site was passed over to the council's Estates Regeneration team and in-house architects for the development of council homes under the council's New Homes for Neighbourhoods Programme. The budget for the initial feasibility scheme was approved by Housing Committee and Policy & Resources Committees in November 2018 and December 2018 respectively. Below is a summary of the main factors which have influenced the latest costs.

### ***Planning Requirements***

3.10 Since the initial Feasibility Study was completed, the housing scheme design has been through an extensive pre planning application process which is a requirement for all major planning applications. This has entailed presenting the designs to the South East Design Panel, comprising experienced and eminent architects and/ or technical experts in public realm and housing design. Whilst their comments were mostly complimentary, they did make a number of suggested improvements to the design which were subsequently followed up by the council's lead Architect. The changes which were made to the initial feasibility design are reflected fully in the Design & Access Statement contained in Appendix 1 of this report. However, the most significant changes are summarised below:

- The removal of the four terraced housing units fronting onto Victoria Road;
- The consolidation of parking on the site of the existing Portslade Town Hall car park;
- The adjustment of the footprint of the two main apartment blocks to accommodate more space for the communal gardens; and
- The improvement of the designs for the external landscape of the scheme, including the civic area of the Town Hall to ensure that it complimented its locally listed heritage features.

3.11 This re-design has inevitably caused delay and a certain amount of abortive design fees, which were unavoidable. The improvement in the design of the external landscape has also increased costs from £0.780m when the original budget was approved, to £1.217m currently, based on the latest Cost Report. Whilst there is scope to value engineer these costs down, there is likely to be a limit on the level of savings that can be achieved since the Design South East Panel were quite insistent that the civic area and car park should be made of robust materials and look aesthetically pleasing. On balance, officers feel the design of the housing scheme has significantly improved as a result of the pre-application process which it has been through.

### ***Sustainability measures***

3.12 The Council is placing much more emphasis on delivering more sustainable housing development, which is designed to reduce carbon emissions and to meet the council's Climate Change objective for the city to be net zero carbon by 2030. In line with this corporate objective Victoria Road has the highest sustainability standards of any projects delivered in the New Homes for Neighbourhoods programme to date.

3.13 A year ago, the Government announced that it would be introducing a new Future Homes Standard which will ban gas boilers in all new housing development from 2025 onwards. As a consequence, officers commissioned Ricardo Energy and Environment Consultants to explore alternative energy options for the Victoria Road Housing Scheme. The study quantified and compared the up-front capital costs, fuel costs, replacement costs, maintenance costs, whole life cycle costs and the carbon emissions for the following options:

0. Communal gas boiler, heat network with radiators in flats (Baseline option)
1. Communal Air Source Heat Pump (ASHP) with radiators
2. Communal ASHP with underfloor heating
3. Communal ASHP with radiators and Photovoltaic (PV) solar panels
4. Communal ASHP with underfloor heating and PV
5. Communal Ground Source Heat Pump (GSHP) with radiators
6. Communal GSHP with underfloor heating
7. Decentralised GSHPs in each flat fed by groundwater distribution and radiators
8. Decentralised GSHPs in each flat fed by groundwater distribution and underfloor heating

3.14 Table 2 provides a high-level cost and carbon comparison between the different heating options. This is based on a 40 year investment period, which is generally used in Whole Life Cycle modelling because this is the typical lifespan of district heating pipework. Ricardo were also asked to extend their assessment to cover a 60 year period in line with the timeframe for NHfN viability modelling and were able to demonstrate that the results were entirely consistent with those presented in Table 2.

3.15 Clearly the up-front capital costs and whole life fuel costs are most significant. While the results of Ricardo's study marginally favoured Option 3 (Communal Air Source Heat Pumps with Photovoltaics and Radiators) in terms of Discounted Whole Life Cycle Costs, officers felt that their experience of ASHPs in the council's schools programme had been less positive than GSHPs. Since the difference between ASHP and GSHP options was marginal, officers decided that it would be better to go ahead with a decentralised system of Ground Source Heat Pumps for the Victoria Road Housing Scheme, especially since the ground survey results had been favourable for this type of installation. However, it is important to recognise that other sites within the New Homes for Neighbourhoods programme may be more constrained, with ground conditions which are not suitable for GSHPs. In this case, officers would be keen to explore ASHPs particularly as the application of this type of technology is likely to be different for residential development than for school settings.

**Table 2 – Cost and CO2 emission comparison of energy options**

Option	Total capital cost	Year 1 fuel costs	Year 1 fuel +maintenance costs	Total year 1 running costs net of PV savings/income	Discounted Whole Life Cost	Whole life net CO2 emissions
Parameter unit	£	£	p/kWh heat	£	£	TCO2
0. Central gas boiler	£362,398	£11,153	6.3	£11,519	£682,254	2,389,639
1. Central ASHP and DH with radiators	£385,040	£15,631	9.4	£17,183	£818,607	251,332
2. Central ASHP and DH with underfloor heating	£464,326	£12,764	7.8	£14,318	£834,344	205,232
3. Central ASHP and DH + PV with radiators	£500,540	£15,631	9.4	£7,874	£727,524	30,085
4. Central ASHP and DH + PV with underfloor heating	£579,826	£12,764	7.8	£5,330	£752,418	-16,015
5. Central GSHP and DH with radiators	£590,040	£12,009	6.8	£12,502	£920,622	193,104
6. Central GSHP and DH with underfloor heating	£669,326	£10,242	5.8	£10,735	£960,737	164,683
7. Decentralised GSHPs with radiators	£443,882	£8,802	5.6	£10,279	£748,422	141,531
8. Decentralised GSHPs with underfloor heating	£523,082	£8,020	5.2	£9,497	£810,258	128,948

N.B. all calculations are based on a 40 year investment period to reflect the typical lifespan of district heating pipework.

- 3.16 Due to resource and time constraints, Ricardo did not test either of the decentralised GSHP options (7 and 8) with PVs, as was carried out with the ASHP options 3 and 4. However, Ricardo have confirmed in their report that the decentralised GSHP, teamed with PVs and underfloor heating is likely to achieve a similar reduction in CO2 emissions as Option 4 above. Since a decentralised GSHP system does not require a Plant Room, this also has the advantage of saving £0.282m which was included in the original Feasibility Scheme to house the communal gas boiler.
- 3.17 The Victoria Road Housing Scheme also includes other sustainable design features such as Photovoltaics (PVs) and “living walls”. PVs are a requirement in the council’s New Homes for Neighbourhood’s Design Specification. The inclusion of living walls by the council’s lead architect is in response to some of the lessons learnt on some of the council’s recently completed schemes i.e. Kite Place, which have been experiencing high temperatures as a result of extensive glazing in their communal areas. Living walls have many benefits including:

- Improving air quality – the leaves of plants filter out pollutants from the air and absorb dust particles. This helps decrease smog formation
  - Regulating temperature – green walls reduce the ‘urban heat island’ effect in cities. They also act as insulation helping to regulate a building’s temperature, keeping it warmer in Winter and cooler in Summer
  - Provide sound insulation – plants absorb and deflect noise. Independent tests on living walls have demonstrated that they are able to absorb sound better. Noise levels can be reduced by around 10 decibels
  - Enhancing biodiversity – green walls provide an alternative ecological habitats for insects, bats and birds. In some installations the addition of nesting boxes for birds or bats can create an undisturbed home
  - Promoting health and wellbeing – the biophilic qualities of a green wall have been proven to have a positive impact on physical health and mental wellbeing
- 3.18 For these reasons, the architectural response to include these sustainable design features seems to be fair and proportionate, especially when compared with the cost of the remediation measures such as the installation of solar film in the communal areas of Kite Place. The cost of PVs and living walls within the Total Scheme Costs are £0.059m and £0.047m respectively.
- 3.19 The council’s Home Energy Efficiency Project Manager has recently confirmed that there is funding available for a feasibility study to be commissioned which will look at options for best utilising the energy assets of the Victoria Road Housing Scheme (i.e. solar PV and heat pumps being the main two, but possibly batteries as well) to improve the cost position of the project as a whole. Under a ‘traditional’ model of design, the PVs would be wired into the landlord supply and tenants would not receive any direct benefit.
- 3.20 The Feasibility study will explore whether the council could become the sole electricity supplier for the building. If the system is designed correctly, tenants will not be able to purchase their electricity from a ‘normal’ energy supplier – only from the council. This way of operating the building allows the council to:
- Place the entire block ‘behind the meter’ (i.e. the council retains all the benefits of self-consuming the solar PV electricity – rather than consuming next to none of it in a traditional model);
  - Purchase cheaper electricity through the council’s corporate contract than tenants would be able to do on the domestic market; and
  - Pass on both of these savings (less metering costs) to tenants.
- 3.21 Past experience of other schemes that this model has been applied to, would suggest that tenants will see a saving of between 10-20% on their electricity bills. It is difficult to quantify what impact it would have on the scheme, but officers are confident that it will provide a genuinely innovative and future-proofed way of delivering the council’s carbon and energy bill savings.

### ***Superstructure requirements***

- 3.22 In order to ensure compliance with fire regulations, Attis Fire Consultants, the council’s Head of Building Control and Corporate Leads for Fire Safety were

invited to a workshop to review the superstructure options for Victoria Road. These included three different timber frame options. Timber frame is one of the most sustainable forms of construction available in the 21st century. However, following these discussions officers agreed with the Housing Supply Member Board to not progress with this option until the analysis of a recent fire at the Guinness Trust block of flats in Pankhurst Avenue has been undertaken and reported upon.

3.23 The cost of the different superstructure options, which were not timber frame, has been provided by Morgan Sindall and independently reviewed by the council's Quantity Surveyors, Potter Raper, to ensure that the cost comparison carried out is robust. The most cost-effective superstructure option is the light gauge steel frame. The frame is manufactured offsite and is 20-40% faster to erect when compared to more traditional methods of construction. It is precise (i.e. within 1mm per structural storey height) and represents a 20% reduction in embodied carbon in terms of building fabric and waste material. At the end of the building's life, the steel frame can be unbolted and easily deconstructed, in line with the council's Circular Economy principles.

3.24 In order to scrutinise its performance relative to other modern methods of construction, Morgan Sindall invited the manufacturers of the most cost-effective supplier to attend a workshop with council officers from the Architects, Building Control, Housing and Estate Regeneration teams. Given the recent concerns over fire safety, officers asked a number of searching questions in relation to the performance of the superstructure in the event of a fire. Below is a summary of the advantages associated with light gauge steel frames with regard to fire safety:

- Steel is non-combustible; it does not add to the fire load of the building;
- Plasterboard is non-combustible and provides fire resistance by virtue of its insulating properties and inherent chemically bonded water content;
- Modular units are lined with plasterboard or similar material and fitted with external sheathing board off-site. If a fire were to start within a module it would be totally contained; and
- Tests have shown that the temperature of light steel remains below 100 °C after a real fire with a duration of 80% of its specified fire resistance period, and thus the light steel can be re-used.

3.25 On balance, officers felt that light gauge steel frame superstructure performed the best in relation to the three criteria (Safety, Sustainability and Cost) and is the preferred superstructure option for the Victoria Road Housing scheme. The steel frame is approximately £0.265m less than the RC Frame which forms the basis of the current estimated budget. This, together with savings associated with the shorter construction programme of circa £0.227m is likely to reduce costs further.

### **Conclusion**

3.26 Whilst undoubtedly, there has been a significant increase in total scheme costs since the original budget was approved, the reasons for this have been explored in detail in this report. It is anticipated that the costs will be brought down further

at the detailed design stage, once the savings associated with the steel frame are realised both in terms of a reduction in Programme and Preliminaries.

- 3.27 Nevertheless, officers continue to take a cautious approach with regard to the budget needed to complete the project. This is because it is not yet known what the impact on scheme costs will be as a consequence of the current COVID-19 Coronavirus pandemic. Schemes currently under construction, or which are about to commence (i.e. the Sports Pavilion), are already experiencing delays as a consequence of labour and material shortages. This is only likely to get worse in the coming months while the Government tries to restrict the spread of the virus through stringent social distancing and isolation measures. The result is likely to be further delays adding to cost pressures.
- 3.28 As a consequence of the current unpredictability of the market due to COVID-19, Potter Raper have deliberately not applied an inflation rate to the latest Order of Costs. It is hoped that the savings to the Programme outlined in the report will offset any rise in costs due to inflation but officers will remain vigilant over the next few months and keep Members informed if inflation becomes a significant issue for the project.

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

##### **Do nothing**

- 4.1 This option would lead to considerable abortive costs associated with the design process and the demolition of the Football Pavilion and Former Housing Office (totalling £0.233m). The council would also have to pay back the Land Release Funding of £0.340m to the Ministry of Housing, Communities and Local Government (MHCLG). This funding was awarded to support the re-location of the Bowls Club to Victoria Recreation Ground in order to increase the number of housing units and accelerate their delivery. The council would also fail to deliver one of its key sites under the New Homes for Neighbourhoods Programme of 500 homes by 2023.

##### **Tender the housing scheme on the open market**

- 4.2 To date the housing scheme has been designed by the council's in-house architects and costed through the council's City Build Construction Partnership with Morgan Sindall as the lead contractor. In accordance with the council's due diligence procedures, the costs submitted by Morgan Sindall have been independently reviewed by the council's QS (Potter Raper). In the case of the Sports Pavilion, Potter Raper were unable to recommend Best Value and therefore advised officers to test the market since the value of the Contract (approx. £1.000m) would enable a fairly straightforward and time limited procurement process to be undertaken.
- 4.3 The final cost following market testing does not significantly differ from the original estimated cost. In the case of the housing scheme (estimated at circa £11.000M), the procurement process would be far more involved and would need to be OJEU compliant. Contracts of this size typically take 12 months to award.

This would cause significant delay to the proposed programme leading to escalating costs during a period of economic downturn as a result of the COVID19 pandemic. If the market were further tested it is felt unlikely (particular with inflation through the period of additional delay) that the costs would decrease and there is a significant risk that they would increase further.

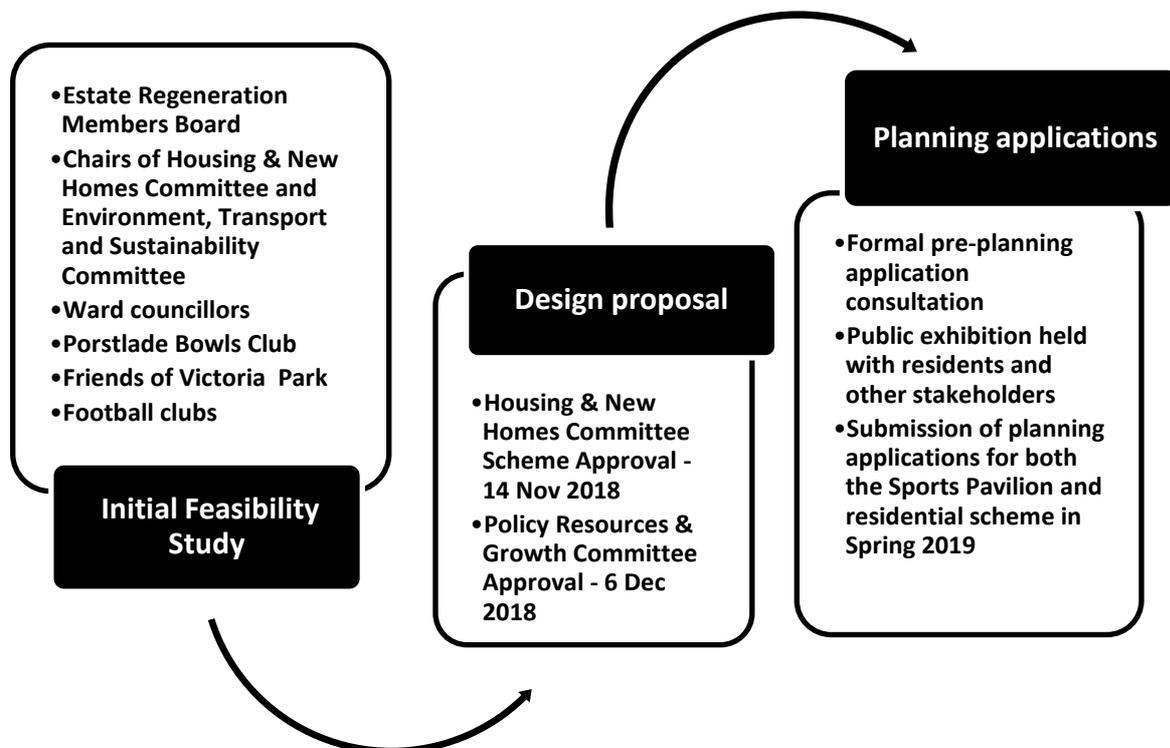
### **Fund the budget shortfall**

- 4.4 This is the preferred option, since it would enable officers to progress, as fast as circumstances will allow, both the Sports Pavilion contract and housing scheme without incurring substantial additional costs caused by the 12 month delay if officers are required to test the market.

## **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 met with Club officials several times to establish their requirements for a replacement Bowls Club facility. The requirements were used to inform the Client Brief for the site. The current design of the new Sports Pavilion 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. The latest design of the Sports Pavilion was also shared with the Friends of Victoria Park who are supportive of the proposal since it will bring about much needed investment in the Recreation Ground through the enhancement of existing facilities.

## **6. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 6.1 The original budget of £12.914m was approved at the Housing Committee meeting on 14<sup>th</sup> November 2018. The proposed funding of this was assumed to be broken down as follows HRA borrowing of £10.150m, RTB receipts of £3.204m and Land Release Funding of £0.340m. The financial model at the time estimated that based on a mixed rental scheme it would result in a surplus of c.£0.490m over a 60-year period at today's values.
- 6.2 The new cost assumptions have resulted in an increase of c.£2.600m bringing the total to an estimated £15.502m. It has already been agreed that in addition to the funding identified in 6.1 above a contribution of £0.200m from s106 contributions for the local area are to be utilised to fund some of the increase.
- 6.3 This leaves a funding gap of £2.400m for the remainder of the project. The new costs and additional £0.200m funding have been entered into the financial model and the result using the same mix of rental approved at Housing Committee is a subsidy of an estimated £1.210m.
- 6.4 In order for the scheme to breakeven and not rely on existing tenants rents to subsidise the project it is proposed to fund the additional £1.210m using commuted sums held by the council for the delivery of affordable housing. Of this, £0.550m can be funded by switching funding from Valley Social Centre, which has been removed from the programme leaving a balance of £0.660m. This had been earmarked for use against the Home Purchase Policy over the next three years. It is not expected to have a detrimental impact on the Home Purchase Policy in the long term, as it is anticipated with the level of

development across the city, further commuted sums will be received to replenish these over the coming years.

- 6.5 For comparative purposes, if all rents were set at LHA rates it would result in a subsidy of £0.700m. This would mean only an additional £0.150m would need to be found from commuted sums after switching funding from Valley Social Centre.
- 6.6 The financial model assumes the worst-case scenario in costs and doesn't take into account any savings that may materialise from the use of steel framework instead of the concrete frame. Any reduction in costs will reduce the need to use commuted sums to fund the project upfront.
- 6.7 As recommended at paragraph 2.2, if approved an increase of £2.600m will be added to the HRA Capital programme for 2020/21, funded by HRA borrowing, RTB receipts, commuted sums 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 Policy & Resources.

*Finance Officer Consulted: Craig Garoghan*

*Date: 07/04/2020*

Legal Implications:

- 6.8 The council's constitution provides that where a matter has corporate policy or corporate budgetary implications (e.g. committing the Council to expenditure that has serious impact on the overall finances of the authority), then it will normally be considered first by the Committee with responsibility for the relevant functions or service area before being referred to the Policy and Resources Committee for a decision. If the Committee approves the recommendations in this report, they will be reported to Policy and Resources Committee in July as part of the Target Budget Monitoring Report.

The erection of houses to provide housing accommodation is permitted by section 9 of the Housing Act 1985.

*Lawyer Consulted:*

*Liz Woodley/ Alice Rowland*

*Date: 17/04/20*

Equalities Implications:

- 6.9 An increase in housing supply will expand the provision of new, well designed homes to local households registered in need. The new development of 42 council 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:

- 6.10 As detailed in the body of this report the development has been designed to meet the council's carbon reduction targets and integrates a number of sustainability measures including Ground Source Heat Pumps, PVs, living walls, permeable paving, electrical vehicle charging points and a City bike scheme.

#### Crime & Disorder Implications:

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

#### Risk and Opportunity Management Implications:

- 6.12 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:

- 6.13 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:

- 6.14 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.
- 6.15 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. Victoria Road Design & Access Statement

#### **Background Documents**

None.