

**HOUSING AND NEW HOMES
COMMITTEE/ POLICY, RESOURCES
AND GROWTH COMMITTEE**

Agenda Item 71

Brighton & Hove City Council

Subject:	New Homes for Neighbourhoods – Scheme Approval - Lynchet Close	
Date of Meeting:	15 March 2017 – Housing & New Homes Committee 4 May 2017 – Policy, Resources & Growth Committee	
Report of:	Executive Director Economy, Environment and Culture	
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Ward(s) affected:	Hollingdean & Stanmer	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 In September 2012, Housing Committee agreed the procurement of initial feasibility and design of identified case studies for housing opportunities on appropriate Housing Revenue Account (HRA) land, including stakeholder engagement and consultation. Since then, the Estate Regeneration Team was created and has commissioned business cases for a number of potential infill sites to establish the financial viability and design feasibility of developing new council homes in these locations. With Committee approval, the new homes have then been developed under the council's New Homes for Neighbourhoods programme.
- 1.2 This report includes the findings of the business case for eight new council homes for rent at a primarily HRA owned, grassed site at Lynchet Close, Hollingdean and seeks scheme and budget approval to develop them. It also requests approval to appropriate a small strip of land from the council's Environmental Services department to the HRA in order to let the development proceed.

2. RECOMMENDATIONS:

- 2.1 That Housing and New Homes Committee approves:
- i. The scheme design for the eight new homes at Lynchet Close, Brighton BN1 7FP under the New Homes for Neighbourhoods Programme;

- ii. One of the three options 1, 2 or 3 for scheme rent levels as set out in the tables under paragraph 3.12 of the report.
- 2.2 That Housing and New Homes Committee recommends to Policy, Resources and Growth Committee to:
- i. Approve that the Environmental Services land marked with hatching in Appendix 1 be appropriated to the Housing Revenue Account for a nil capital receipt for planning purposes to enable the whole vacant Lynchet Close site to be developed for new council housing, subject to the council publicising its intention to appropriate this land and considering any objections as required under s122 Local Government Act 1972.
 - ii. Approve a budget of £2.490m for the Lynchet Close scheme in the HRA Capital Programme which will be financed through a mixture of HRA borrowing and retained Right to Buy capital receipts.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 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. Increasing the supply of housing is a primary objective in the council's Housing Strategy 2015. The Strategy specifically identifies the lack of new affordable rented housing as a key issue for the city, and the need for family homes. The council's New Homes for Neighbourhoods programme addresses this undersupply by developing new homes on suitable council owned sites across the city in order to meet City Plan targets and housing need. To date, 34 homes for affordable rent have been completed under the New Homes for Neighbourhoods programme, 131 are on site, another 12 have planning permission and over 100 more are in the pipeline.

The site

- 3.2 The site is a gently sloping, grassed open space on the south side of Lynchet Close directly opposite Hollingdean Park and children's playground and access to allotments, a sports ground, open countryside and South Downs National Park. A three storey block of council flats, 10 – 20 Brentwood Road, Brighton BN1 7EQ, lies to the west of the site and the Cedar Centre school to the east. The scheme would not encroach on the communal rear grounds of 10 – 20 Brentwood Road or the public footpath that runs the length of the eastern boundary of the site between it and the Cedar Centre. The frontage of the site is owned by the council's Environmental Services department, but the bulk of the land (83%) is HRA owned. A plan at Appendix 1 identifies the whole site to be developed and the Environmental Services strip (hatched) which it is recommended be appropriated to the HRA in order to enable the HRA to develop the whole vacant site for new council homes.

Proposed new homes and construction

- 3.3 Design proposals (subject to planning consent) are for a terrace of six four bedroom, seven person town houses on two and a half storeys and two two

bedroom four person flats, each with its own private garden. A design study is at Appendix 2. The council's Housing department prioritised large family homes for this site as there is a particular need for large, affordable rented homes in the city and in Hollingdean, and the site is well located for children being very close to schools, Hollingdean Children's Centre and the park and playground.

- 3.4 All homes follow 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, apart from the upper flat being reached by an internal staircase as it is uneconomic to provide a lift for only one flat. In order to achieve cost effective development, the homes would be constructed with a timber frame and allow for tenants to lay their own carpets or other flooring in rooms apart from kitchens and bathrooms.
- 3.5 Being designed for large families, the houses would have a shower in the downstairs cloakroom as well as a bath with overhead shower in the first floor bathroom. The ground floor flat would have a level access shower instead of a bath in order to be suitable for letting to applicants unable to manage steps/stairs/steep gradients and who may require a wheelchair for outdoor mobility. Six off street parking spaces are provided in front of the houses. There is also unrestricted street parking in Lynchet Close in front of the flats.

Planning advice

- 3.6 Planning pre-application advice was provided on the initial design in January 2017. Planning's opinion was that a development of this scale and general form could be accommodated on this site without significant harm to the visual and neighbouring amenity, subject to appropriate revisions to the design and siting in addition to a justification for the loss of open space.
- 3.7 Design and siting revisions in line with planning pre-application advice were carried out prior to a local resident and stakeholder consultation event and are incorporated in the design study at Appendix 2. The site is underused open space immediately opposite Hollingdean Park and playground and access to a sports ground, allotments and open countryside in South Downs National Park. There are many grassed open space areas around other council homes on the estate. If the scheme is approved for planning consent, there is likely to be a S.106 planning agreement to improve open space on site or nearby recreational facilities in order to mitigate for the loss of open space and the development will include planting to enhance the public domain. Provision for this has been added to the scheme development costs and options will be explored.

Appropriation of part of the proposed site to the HRA

- 3.8 Although the main parcel of the proposed development site is owned by the HRA, a triangular strip along the pavement at the front of the site is historically owned by the council's Environmental Services department in the council's General Fund. This comprises 258 square metres (17%) out of the total site area of 1,518 square metres (as shown in Appendix 1). Appropriation of this strip to the HRA is required to enable the HRA to develop the site.

- 3.9 The council's Property Estates Team have undertaken a valuation of the strip of land and confirmed it can be appropriated to the Housing Revenue Account for this purpose at nil value. As this strip is open space and above 250 square yards in area, the council must follow a further consultation procedure under s122 Local Government Act 1972 before the appropriating the land. The council must give notice of its intention to appropriate the land in an advertisement in a local paper for two consecutive weeks and consider any objections to the proposed appropriation which may be made to it. This will be undertaken if Housing & New Homes Committee agree the recommendations above.

Funding proposals

- 3.10 Financial modelling on the proposed design has been undertaken. Estimated total development cost for the scheme is £2.490m. Right to Buy receipts will be used to fund up to 30% of the development cost. The balance could be funded by borrowing supported by the net rents from the new homes. Exceptionally, being a relatively straight forward site to develop, this scheme should not require HRA subsidy. Projected surpluses would offset HRA subsidy requirements for the other council housing schemes in the New Homes for Neighbourhoods programme.
- 3.11 These would be the first four bedroom homes developed under the New Homes for Neighbourhoods programme. The homes could all be let at the lower of 80% market rent or Local Housing Allowance (LHA) rate in accordance with the council's Tenancy Strategy, as with other homes in the programme. However, these larger properties may encounter some issues with affordability due to the cap on welfare support having been reduced to £20,000 per annum/£384.62 per week. The council will devise a local lettings plan for this scheme and will have to include an affordability assessment to ensure that prospective tenants will be able to meet the rental liability.
- 3.12 As the LHA rate for four bedroom homes is close to the new welfare benefits cap and HRA subsidy should not be required for this scheme, other rent options for the four bedroom houses have been modelled for Housing and New Homes Committee's decision. These are set out in the table below, along with their funding implications. The LHA rate has been modelled for the two bedroom flats for all options in order to be consistent with the rent for other two bedroom flats already in the programme and as it remains nearly £200 per week below the welfare benefits cap. For the four bedroom houses, the Living Wage rate at £233.84 per week (Option 3) would be just £3.36 p.w. more than the LHA rate for 3 bedroom houses and flats already in the New Homes for Neighbourhoods programme (currently £230.28).

Rent options	Option 1	Option 2	Option 3
	LHA Rate for 4 Bed Houses and 2 Bed Flats	65% Market Rate for 4 Bed Houses and LHA Rate for 2 Bed Flats	Living Wage Rate for 4 Bed Houses and LHA rate for 2 Bed Flats
Weekly Rent:	£	£	£
4 Bed House	339.34	286.33	233.84
2 Bed Flat	192.48	192.48	192.48

Rent options	Option 1	Option 2	Option 3
	£'000	£'000	£'000
Total Scheme Costs	2,490	2,490	2,490
Funded By:			
RTB receipts	(747)	(747)	(747)
Borrowing supported by net rents	(3,159)	(2,678)	(2,202)
Total Funding	(3,906)	(3,425)	(2,949)
(Surplus) / Subsidy	(1,416)	(935)	(459)
(Surplus) / Subsidy per unit	(177)	(117)	(57)

Sustainable Futures strategic construction partnership

- 3.13 If Housing & New Homes Committee agrees to progress this proposed scheme, final design, construction and development will be undertaken by the council's in-house architecture and design team and the corporate Sustainable Futures strategic construction partnership. The partnership was procured under an OJEU procurement process authorised by Policy & Resources Committee on 21 March 2013, following two previously successful construction partnerships. The partnership started in early 2014 for a contract term of four years and to a value of £60 million. It is currently delivering the majority of the New Homes for Neighbourhoods homes as well as construction projects for various council client departments and is managed by the council's Property & Design department.
- 3.14 The quality of homes delivered by the partnership has been very high and development of the homes after Committee approval has proved much quicker than other delivery routes as the architects are in-house and the constructor, partner surveyors and sub-contractors are already procured. Building on their expertise and experience from the housing schemes already being developed by the partnership, in-house architects and partners have worked up the design for Lynchet Close from inception to an advanced stage, including modelling different construction options and costings on which the cross party Estate Regeneration Member Board were consulted. The early involvement of constructors and electrical, structural and mechanical and engineering partners ensures that final design and construction risks are minimised and that new homes will meet Housing's requirements. Throughout the design process prices for each element are obtained and reviewed by the team and if necessary the design is amended to ensure that the budget is met.
- 3.15 The design team, including the Estate Regeneration Project Manager, meet every four weeks and will work together within the assigned budget to set the Agreed Maximum Price, after which the Quantity Surveyor will produce a review document for audit purposes which demonstrates that the project has achieved best value. This document benchmarks the square metre (m²) 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 and takes a strategic view of each scheme, ensuring that key deadlines are met.

Next Steps

- 3.16 If Housing & New Homes Committee approves the scheme, further consultation will be carried out as required by s122 Local Government Act 1972. Subject to consideration of any objections to the proposed appropriation of part of the site to the HRA, Policy, Resources & Growth Committee would be requested to approve the appropriation and scheme budget. The council's in-house architecture team and strategic partnership will finalise the design, submit a planning application and work up a final costed design and a detailed timetable for construction and development. Regular updates on progress in the interim will be provided to the cross-party Estate Regeneration Project Board.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The council's Housing department considered the cost and benefits of developing flats or houses on this site and prioritised large family houses, of which there is a great shortage in the city and within Hollingdean. This location is well suited for families, being very near the Children's Centre and schools as well as Hollingdean park and playground. It is proposed that all homes be let within affordable rent levels to applicants from the Homemove register to help meet the city's great needs, with over 24,000 households on the register at January 2017.
- 4.2 Rent options for the four bedroom houses have been modelled for Housing & New Homes Committee's decision in the tables below paragraph 3.12 above.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The Estate Regeneration Team prioritise engagement and consultation with local ward councillors, council tenant and resident associations and local residents in the neighbourhood of each site handed over to the team for development under the New Homes for Neighbourhoods programme. Local ward councillors have been consulted on the proposal and updated on progress. Two have expressed their support for the proposal. The Estate Regeneration Member Board has also had regular updates on progress with this proposal.
- 5.2 The Estate Regeneration Project Manager met with the recently re-formed Hollingdean Residents Association, the Community Development Worker and a local ward councillor on 30 November to share early plans for the proposed development. Members supported these and will be kept updated.
- 5.3 Residents and stakeholders neighbouring or in view of the site were invited by letter to a drop-in consultation event held at the Hollingdean Children's Centre on 20 February 2017 between 3pm and 6pm. The centre is across the road from the site and immediately adjacent to Hollingdean Park and playground. Posters in and around the centre and in a message board in front of 10-20 Brentwood Road

also publicised the consultation event with an image of the proposed new homes. Users of the centre during the event were also invited to look at the plans and give their views, orally or in a feedback form. Information sheets and feedback forms were also available at the centre after the consultation event.

- 5.4 Only one couple of the residents spoken to during the drop in event or completing a feedback form opposed the proposals, concerned they would lose their sea view and parking would increase. The others welcomed new council homes. Seven completed feedback forms were received, all of which support the development of new council homes on the site. Comments include: “Look[s] like a great use of underused space. Need for larger houses for families in Hollingdean is high” and “The grass area is not currently played on by children as the park is across the road”. The only concerns or issues raised were that the homes should be let to the right tenants and that the development would have an impact on the on-street parking for local people/workers. Six off-street parking spaces have been provided in the scheme to minimise impact on the local, unrestricted parking.
- 5.5 Further community consultation on appropriation of the strip of open space Environmental Services land to the HRA as required by 122 Local Government Act 1972 will be carried out before appropriating the land. The council will give notice of its intention to appropriate the land in an advertisement in a local paper for two consecutive weeks and consider any objections to the proposed appropriation which may be made.

6. CONCLUSION

- 6.1 This proposal will deliver six large family homes and two flats 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 rent housing. This scheme will also help 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 itself by using the new rental stream only (net of service charges and management and maintenance costs) over 40 years to pay for the principal and interest on the borrowing required to fund the development. It also assumes that 30% of the development costs are met from retained Right to Buy (RTB) Receipts. If the rental stream and RTB receipts are insufficient to meet the costs, then a subsidy is required by the HRA.
- 7.2 As per the recommendation in paragraph 2.1 of the main report the proposal that is being considered for the site is the development of 8 new homes at Lynchet Close, Brighton. The estimated total scheme cost for this development is £2.490m, for which budget approval is being sought as per paragraph 2.2 of the

main report, this will be added to the main HRA Capital Programme for 2017/18. Under the RTB agreement the council is permitted to fund 30% of the development costs from our retained RTB receipts, this totals £0.738m. The remaining £1.722m would be funded through borrowing supported by the new rental income.

- 7.3 In light of the potential issues with affordability of the four bed houses due to the cap on welfare support being lowered to £20,000, three options for the rent levels have been modelled.
- 7.4 The first option is to continue charging a rent based on the lower of 80% of market rents or the LHA rate for the four bed houses and the two bed flats. The impact of this is that it will support borrowing of up to £3.159m, leading to a surplus of £0.177m per property over 40 years.
- 7.5 The second option is to charge a rent for the four bed houses that is 65% of the average market value of rent in that area for similar sized properties. The two bed flats would remain at the lower of 80% market rate or the LHA rate. The impact of this is that the net rent will support borrowing of up to £2.678m, leading to a surplus of £0.117m per property over 40 years.
- 7.6 The third option is to charge a rent for the four bed houses that is based on a Living Wage. Living Wage in this context is defined as a home provided at a cost which is at 40% of gross pay to a household earning the new national Living Wage in 2018. The two bed flats would remain at the lower of 80% market rate or the LHA rate. The impact of this is that the net rent will support borrowing of up to £2.202m. The rental figure of £233.84 for the four bed houses is close to the amount charged for 3 bed houses modelled for the New Homes for Neighbourhood programme, which stands at £230.28. The differential between the two rent amounts is not considered to be great enough when comparing the sizes of the properties and the facilities that are being provided at Lynchet Close.
- 7.7 Each individual option returns a surplus as per the financial table in the main report; these projected surpluses would offset the subsidy requirements for some of the other council housing schemes in the New Homes for Neighbourhoods programme. An independent valuation will be undertaken nearer the completion of the units to assess their market rental value, the cost of which will be met by the agreed scheme budget.
- 7.8 The current financial modelling has used the rates and assumptions outlined in the current strategic partnership agreement, these would be subject to change if the scheme was not taken forward under this current agreement.
- 7.9 There is a small strip of land to the front of the site (approximately 17% of the whole site) which is owned by the General Fund and would require appropriation to the HRA in order for the site to be developed. The council's Property Estates Team have carried out a valuation on the site and determined that the site has a nil value for this purpose and so has no impact on the total scheme costs. Further work is required before the land can be appropriated as set out in paragraph 3.9 of the main report.

Finance Officer Consulted: Craig Garoghan, Accountant Date: 28 February 2017

Legal Implications:

- 7.10 Where land is no longer required for the purposes for which it is held, a local authority may appropriate it for any purpose for which the authority is authorised to acquire land. The council has powers under the Housing Act 1985 to acquire land.
- 7.11 Where the land consists of or forms part of an open space, the proposed appropriation must be advertised for two consecutive weeks in a newspaper circulating in the area in which it is situated.

Lawyer Consulted: Liz Woodley, Senior Solicitor

Date: 6 March 2017

Equalities Implications:

- 7.12 An Equalities Impact Assessment has been carried out for the New Homes for Neighbourhood programme and actions are built into the Estate Regeneration project management procedures.
- 7.13 All the houses would be built to meet Building Regulations Part (M) Category 2 'accessible and adaptable' standard, the successor to Lifetime Homes Standard, with easy access from the car parking spaces. The upper flat would be accessed via an internal staircase as it is not financially viable to provide lift access to one flat, but would otherwise meet the Part (M) Category 2 'accessible and adaptable' standard. The internal staircase is wide enough to accommodate a chair lift if one were required by a future tenant. The ground floor flat would fully meet the 'accessible and adaptable' standard and have a level access shower installed so that it may be let through Homemove with a Mobility 2 rating, as suitable for applicants unable to manage steps/stairs/steep gradients and requiring a wheelchair for outdoor mobility.

Sustainability Implications:

- 7.14 In order to obtain planning consent the new homes will be required to meet sustainability standards for energy and water efficiency equivalent to Code for Sustainable Homes Level 4. The timber frame construction proposed for these homes has a much lower embodied carbon footprint than traditional block and build construction and the timber will be sustainably sourced in line with council policy.

Crime & Disorder Implications:

- 7.15 The new homes will be built following Secured by Design guidance.

Risk and Opportunity Management Implications:

- 7.16 There are a number of risks associated with developing new homes on small, challenging sites, including of relatively higher construction and development costs per home. A choice of three construction options and costings was developed at an early stage of design to ensure value for money for HRA investment in these homes. Development through the successful strategic

construction partnership includes validation of best value and cost control measures as set out in paragraphs 3.14 and 3.15 above.

- 7.17 This proposal takes the opportunity of building much needed new affordable rented homes on a vacant piece of primarily council housing land which is currently underused open space.

Public Health Implications:

- 7.18 Energy efficient homes which are easier and cheaper to heat will help support the health of households. Large family homes can be let to households which are currently overcrowded. The ground floor flat would be suitable for applicants with very limited mobility. There is accessible, alternative open and recreational space of various types in the immediate area for the public to use.

Corporate / Citywide Implications

- 7.19 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.
- 7.20 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 bring benefits to the council in the form of New Homes Bonus payments and new council tax income.
- 7.21 Appropriation of the small Environmental Services strip of land to the HRA at nil consideration will enable new, affordable rented, council housing to be built, in line with council priorities. Environmental Services would lose any liability for maintaining that land.

SUPPORTING DOCUMENTATION

Appendices:

1. Plan of site at Lynchet Close, Brighton including land to be appropriated to the HRA
2. Design study for eight new council homes on the site

Documents in Members' Rooms

None

Background Documents

None