

Subject:	New Homes for Neighbourhoods – Scheme and Appropriation Approval - Lynchet Close	
Date of Meeting:	28 June 2017 – Housing and New Homes Committee 13 July 2017 – Policy, Resources and 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 potential infill sites to establish the financial viability and design feasibility of developing new council homes on these sites. With committee approval, the new homes have then been built 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 budget approval to develop them. This report 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. Both approvals were recommended by Housing and New Homes Committee at its meeting on 28th June, at which it also approved the scheme and rent levels. Extracts of the minutes of that meeting and the decisions of the Housing and New Homes Committee accompany this report.

2. RECOMMENDATIONS:

- 2.1 That Policy, Resources and Growth Committee note and approve the recommendations as set out below, as recommended for approval by Housing and New Homes Committee:

- 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;
- ii. Approve a budget of £2.532m 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 identifies the lack of new affordable rented housing as a key issue for the city, and specifically 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 council homes for affordable rent have been completed under the New Homes for Neighbourhoods programme, 131 are on site and will be completed in this financial year, another 12 have planning permission and over 100 more are in the pipeline.

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 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 speedy and cost effective development, the homes would be constructed with a timber frame and plastic pipes and allow for tenants to lay their own carpets or other flooring in the bedrooms and stairwells of the houses.

- 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 six houses for their use. 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. 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. An application for planning consent was submitted on 29 March 2017 and a decision is expected in June.
- 3.7 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. Local residents have commented that the site is not currently played on by children. A case has therefore been made for loss of open space in this specific location.
- 3.8 If the scheme is approved for planning consent, there is likely to be a s.106 planning agreement to replace play equipment for children and young people in Hollingdean playground in order to mitigate for the loss of open space. Over 30 children might live in the new housing scheme at any one time, so council tenants would benefit directly from these improvements to the playground immediately opposite the development. Provision for a planning contribution has been added to the scheme development costs and the communal grounds around the homes will also include planting to enhance the public domain.

Appropriation of part of the proposed site to the HRA

- 3.9 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 of land to the HRA is required to enable the HRA to develop the site.
- 3.10 The council's Property Estates Team have undertaken a valuation of the strip of land and confirmed it can be appropriated to the HRA for this purpose at nil

value. As it is classified as open space and above 250 square yards in area, the council has had to follow a further consultation procedure under s122 Local Government Act 1972 before the appropriation can be approved. The council gave notice of its intention to appropriate the land in an advertisement in the Brighton Argus for two consecutive weeks on 12 and 19 May 2017 and must consider any objections to the proposed appropriation which may be made to it. No objections or other representations had been received by the closing date of 2 June 2017 or since.

Funding proposals

- 3.11 Financial modelling has been undertaken on the proposed design. Estimated total development cost for the scheme (including architects and specialist fees, surveys, s106 contributions, Building Regulations and Planning fees etc. as well as construction costs) is now £2.532m as Planning have indicated they will accept lower s106 planning contributions including for loss of open space than previously allowed for. 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 rental income generated from the new homes.
- 3.12 In order to explore potential to minimise development costs for Lynchet Close three construction options were drawn up and costed for at an early stage of design. The cross party Estate Regeneration Member Board, comprising the Chair of Housing & New Homes, the Opposition Housing Spokesperson and Minority Party Spokesperson, were consulted on these in January 2017. They concurred with the decision to use timber frame rather than traditional block and brick construction – which brought some cost savings – and to comply with the space and accessibility standards required by the council’s Affordable Housing Brief, rather than the lower standards generally delivered by volume house builders. Construction costs for this option were advised by the construction partnership’s cost consultant to be broadly in line with a small private development and housing associations’ costs at that time.
- 3.13 Value engineering has been carried out throughout the design phase to ensure value for money and to minimise costs whilst still meeting the council’s required standards. A confidential briefing for Committee members on the development costs is at Appendix 3.
- 3.14 This scheme is projected to make a surplus for the HRA of up to £1.373 million over 40 years. However, at its meeting on 28th June Housing and New Homes Committee adopted rent levels at 37.5% Living Wage Rent, giving a surplus of £0.203m over 40 years. This project should not require HRA subsidy as it is a relatively straight forward site to develop, being open space with minimal site constraints compared to other HRA sites and requiring no demolition, lifts or internal communal areas. Timber frame construction is also proposed to achieve some cost savings. However, there are infrastructure costs associated with creating a new access road across the site and parking spaces, as well as some retaining wall. Surpluses from this scheme would offset HRA subsidy requirements for the other council housing schemes in the New Homes for Neighbourhoods programme and/or fund the development of more new council housing in the future.

Rents for the new homes

- 3.15 Estate Regeneration Board Members had requested that Housing and New Homes Committee have several rent options for consideration for this scheme. Seven rent options with their implications for the HRA and tenants were presented to that Committee on 28th June, along with background information on rent policy and its decisions on rent setting for new build schemes under the New Homes for Neighbourhoods schemes to date. In light of the projected surplus to the HRA from the Lynchet Close scheme the Committee adopted rent levels based on 37.5% Living Wage Rate for all the homes.

Sustainable Futures strategic construction partnership

- 3.16 Construction and development will be undertaken by the council's in-house architecture and design team and the existing corporate Sustainable Futures strategic construction partnership. The partnership was procured under an OJEU procurement process authorised by Policy and 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.
- 3.17 The quality of homes delivered by the partnership has been very high and development of the homes after Committee scheme approval has proved much quicker than other delivery routes as the architects are in-house and the constructor, partner surveyors and some 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.
- 3.18 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 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

- 3.19 If Policy, Resources and Growth Committee approves the scheme budget and appropriation of the Environmental Services land, the council's in-house architecture team and strategic partnership expect work to start on site early this autumn (subject to planning). Construction is expected to take around nine

months. Regular updates on progress will be provided to the cross-party Estate Regeneration Project Board and in New Homes for Neighbourhoods Updates.

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 HRA site and prioritised large family houses, of which there is a 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 at rent levels based on 37.5% Living Wage Rate, as decided by Housing and New Homes Committee, to applicants from the Homemove register to help meet the city's great housing needs. The local community has generally warmly welcomed new council homes on this site.
- 4.2 Rent options for the scheme were modelled for Housing and New Homes Committee's review and decision, with the implications of each on the HRA and tenants.
- 4.3 Incorporation of the Environmental Services strip of land into the development site is necessary to maximise the number of homes in this proposed scheme and there are no alternative suggested uses for it.

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 and reports on construction options and costings and rent options for this scheme and their implications.
- 5.2 The Estate Regeneration Project Manager met with the recently re-formed Hollingdean Tenants Association, the Community Development Worker and a local ward councillor on 30 November 2016 to share early plans for the proposed development. She also attended the Hollingdean Tenants Association meeting on 14 March with the consultation plans. Members supported these and are being kept updated on progress.
- 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 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 available at the centre during and 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 the proposed scheme. 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. However, six off-street parking spaces have been provided within the scheme to minimise impact on the local, unrestricted street parking.
- 5.5 A Lynchet Close resident emailed an objection to the plans on 12 March 2017 challenging the need for four bedroom houses and urging the council to refocus its priorities to helping local young people, and building on brown field spaces. The plans for the scheme have also been publicised locally in the May 2017 edition of Hollingdean News distributed to all households in BN1 7 and on its website. Updates will also be submitted for future editions.
- 5.6 Further community consultation on appropriation of the strip of open space Environmental Services land to the HRA as required by s.122 Local Government Act 1972 has been carried out with regard to appropriating the Environmental Services land. The council gave notice of its intention to appropriate the land in an advertisement in the Brighton Argus for two consecutive weeks on 12 and 19 May 2017. The council must consider any objections to the proposed appropriation. No objections or representations had been received by the deadline of 2 June 2017 or since.

6. CONCLUSION

- 6.1 This proposal will deliver six large family homes and two flats for the council to let at rent levels based on 37.5% Living Wage Rate to applicants from the Homemove register, as decided by Housing and New Homes Committee. 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.
- 6.2 The development of this scheme in this location can, exceptionally, deliver a significant surplus to the HRA over forty years despite it being 100% within affordable rent levels. This surplus could cross subsidise development of other new council homes within the current or future programme. There is need and demand for the four bedroom houses from households in housing need.

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 The report proposes the development of 8 new homes at Lynchet Close, Brighton. The estimated total scheme cost for this development is £2.532m, for which budget approval is being sought as per paragraph 2.1 of the main report. This sum 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 £0.760m. The remaining £1.772m would be funded through borrowing supported by the new rental income.
- 7.3 Seven options for the rent levels have been modelled and the detailed financial implications for each of the options were considered by Housing and New Homes Committee.
- 7.4 Housing and New Homes Committee agreed to adopt rents set at 37.5% Living Wage Rent. This provides a surplus to the HRA over a 40 year period of £0.203m. Higher rents would allow the HRA more funds to either invest in current tenants' homes or use for building much needed affordable housing.
- 7.5 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.
- 7.6 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.

Finance Officer Consulted: Monica Brooks, Principal Accountant

Date: 30 June 2017

Legal Implications:

- 7.7 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.

- 7.8 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: 22 June 2017

Equalities Implications:

- 7.9 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.
- 7.10 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:

- 7.11 The new homes will 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:

- 7.12 The new homes will be built following the police Secured by Design guidance.

Risk and Opportunity Management Implications:

- 7.13 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 3.17 and 3.18 above.
- 7.14 This proposal takes the opportunity of building much needed new sub-market rented homes on a vacant piece of primarily council housing land which is currently underused open space.

Public Health Implications:

- 7.15 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

- 7.16 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.
- 7.17 Every new home built on small sites helps meet the city's pressing housing needs and deliver the first priority in the council's [Housing Strategy 2015](#) of improving housing supply. New homes help bring benefits to the council in the form of New Homes Bonus payments and new council tax income.
- 7.18 Appropriation of the small Environmental Services strip of land to the HRA at nil consideration will enable new, council housing to be built within affordable rent levels, 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
3. Lynchet Close development costs (exempt category 3 – circulated to Committee members only)

Documents in Members' Rooms

None

Background Documents

None