

CABINET



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| Report subject | Housing Scheme at Moorside Road, Bournemouth |
| Meeting date | 24 June 2020 |
| Status | Public |
| Executive summary | <p>The land at Moorside Road is owned by BCP Council and held for housing purposes and laid out and maintained as open space. The playground was closed as part of the Playground Strategy which was adopted by Bournemouth Borough Council in 2009.</p> <p>The current proposal presents a Council Housing new build scheme of 14 four-bedroom homes and associated parking. These homes will help towards Local Plan housing targets and will contribute significantly to unmet housing need. Planning permission for the scheme was granted in April 2018 subject to the stopping up of footpath U45. Following the Public Inquiry which was held on 10th March 2020, the Planning Inspectors decision dated 19th March 2020 confirmed the Stopping Up Order for public footpath U45.</p> |
| Recommendations | <ol style="list-style-type: none"> 1. Approve the proposed £4.452m housing scheme for progression to Cabinet and Council for subsequent approval request: <ol style="list-style-type: none"> a. Approval to commence and completion of build subject to the conditions set out in the Financial Strategy and authorises the Corporate Director for Environment and Community to approve necessary contractual and legal agreements in consultation with the Monitoring Officer and Chief Finance Officer. b. Approve the financial strategy for the scheme as set out in paragraphs 23 to 33 of the report with specific approval for <ol style="list-style-type: none"> i) £2,322,300 of prudential borrowing to be repaid over 25 years used to finance the Housing Revenue Account (HRA) Affordable rented homes. |

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| | c. Authorise the Section 151 Officer in consultation with the Portfolio Holder for Finance to determine the detailed funding arrangements. |
| Reason for recommendations | To enable the proposed housing scheme to progress with the agreed funding arrangements to construction and subsequent completion in order to deliver the wide range of benefits to the Council and local communities. |
| Portfolio Holder | Cllr Kieron Wilson, Portfolio Holder for Housing |
| Corporate Director | Kate Ryan, Corporate Director of Environment and Community |
| Contributors | Lorraine Mealings, Director of Housing Jon Thornton, Housing Development Manager |
| Wards | Kinson South |
| Classification | For Decision |

Background

Housing Market Context

1. Levels of unmet housing demand in Bournemouth, Christchurch and Poole (BCP) are very high, with housing demand exceeding supply. Providing more housing is a key priority of the council.
2. The government has set out a new methodology for calculating Local Plan housing targets and as a result the BCP Council area will need to increase its housing delivery significantly to approximately 2,500 new homes to be built every year. This will need a step change from current delivery levels and is one of the key housing challenges locally, as well as nationally.
3. There is a need for additional homes across all tenures and in particular, the demand for 'affordable housing' at sub-market rates is very high. There are c6,000 households on the Housing Register for the Bournemouth, Christchurch and Poole waiting for 'affordable housing' in the form of either Council Housing or Housing Association properties.
4. As at March 2020 the total number of applicants on the Bournemouth housing register was 3,827 and 283 applicants require a 4-bedroom home. The average waiting time for applicants in the gold band that require a 4-bedroom home is significant at approximately 8 years. These fourteen 4-bedroom 6-person homes will provide 84 bed spaces which will be invaluable additional supply as part of the overall Council Housing stock for those needing larger homes.

Council's direct delivery of new homes

1. BCP Council now has a well-established Housing Development Team who are well placed to help deliver the future pipeline of in-house residential new-build developments.
2. Moorside Road is a potential development scheme for affordable housing within the conurbation that could be developed by the Council for affordable rent, for those in housing need.
3. This new build scheme follows many which have successfully been delivered over previous years and there is a pipeline of additional sites going forwards to help address our housing needs locally.

Site background information

4. The land between Tedder Road and Moorside Road is owned by BCP Council within the HRA. The playground at Moorside Road was closed as part of the Playground Strategy adopted by Bournemouth Borough Council in 2009.
5. The new properties will be delivered within the HRA and therefore be let to those on the Housing Register.
6. A planning application was submitted on 28th November 2016. The proposed development scheme included the retention of one Public Right of Way (shown red in the Public Rights of Way Plan in Appendix 5). In March 2017 an application by a member of the public was made to claim three further footpaths as Public Rights of Way on the site. In January 2018 the Planning Inspector approved two of these to the Definitive Map, making them new public rights of way through the site (shown as pink and yellow on the Public Rights of Way plan in Appendix 5).
7. Planning permission was granted on 16th April 2018; the proposal was to divert footpath U45 (shown in pink on the Public Right of Way plan) to enable development to proceed. The diversion was objected to and consequently to enable the development to proceed, the decision was made to stop-up the new public right of way; with alternative routes available. The stopping-up was objected to so a public enquiry was held on 10th March 2020. The Inspectors decision approving the stopping up was received on the 19th March 2020.
8. The site is steeply sloping and (as is a lot of West Howe) is based on sand which presents construction challenges. The site also has slow worms which will need translocating to Millhams Mead. Due to these particular site constraints, the build

rate is higher than other developments, but can be offset by the land being nil value (as already within the HRA).

Proposed scheme

9. The proposed development will provide 14 x four-bedroom houses. Subject to consents the proposed commencement date is June 2020 with the scheme ideally due to be completed in August 2021.
10. It is recommended that the site is developed directly by the Council to provide a residential scheme comprising of the following:

- Affordable Rent (14 homes)

Plans for the proposed scheme are included in Appendix 5.

11. This tenure mix has been developed after consideration of numerous factors including the need for financial viability and return, housing demands, site specifics and the need to ensure a sustainable community. The Council Housing team and the Housing Options team have been closely involved in the development of this scheme to help ensure that it adequately meets housing needs and is designed in such a way to be sustainable and to enable good quality housing management.
12. As noted earlier, the need for affordable rented housing below market rates is high. The rents are below the Local Housing Allowance cap and will therefore be affordable for those who maybe benefit reliant.
13. The scheme would provide 34 parking spaces in line with the existing parking policy.

Environmental build standards

14. The scheme will be fully Building Regulation compliant whereby energy usage and insulation standards are higher than the historical Code for Sustainable Homes Level 3. Properties that reduce energy usage through build design or upgraded features such as window and doors are looked on favourably. The party walls between houses will be of a construction that exceeds the minimum standards in order to improve the sound insulation between the dwellings. The sizes of the windows balance the need for increased levels of thermal efficiency for the building and to promote good daylighting to improve quality of life and reduce energy consumption. The new homes will include Photovoltaic panels on the roof which absorb sunlight as a source of energy to generate electricity. Triple glazing will be installed which will improve thermal comfort levels, acoustic performance and noise reduction and reduce the risk of condensation.

15. The Housing team are currently developing a Sustainability Strategy in terms of new build which will consider all options going forwards from the construction type through to individual property components.
16. As well as addressing the climate and ecological emergency, sustainable housing presents very real benefits for tenants in terms of a home that is warm and comfortable as well addressing fuel poverty by providing the potential for reduced fuel bills.

Summary of key benefits

17. The following summarises the key benefits of the proposed scheme:
 - Maximise the Council's land assets as well as delivering the Council's housing aspirations.
 - Provide much needed additional homes to meet unmet housing demands and housing needs within the BCP area.
 - Provide sustainable new homes to address the Climate and Ecological Emergency.
 - Help to address fuel poverty of future tenants by providing the potential for reduced fuel bills.
 - Provide 14 four-bedroom new affordable homes for affordable rent to meet housing need and help address the challenging Local Plan housing targets.
 - The scheme will address the needs of those requiring large homes on the Housing Register who would ordinarily need to wait for approximately 8 years for a property of this size to become available.
 - Utilisation of £1,330m Right to Buy receipts to help fund the scheme. If these are not spent within 3 years of receipt, they cannot be used locally and need to be returned to central government.
 - Use of £300k section 106 monies and £500k Bournemouth Neighbourhood Housing Revenue Account (BNHRA) Reserves to help fund much needed affordable housing provision on the site.
 - The scheme will bring improvements to the area with the provision of quality and well managed homes.
 - The development will generate employment during the construction phase to help grow the local economy.

Development Feasibility Work already undertaken

18. Since 2014, consultants and surveys have been appointed to develop a scheme design to planning submission stage. The financial commitment to date (including design, surveys and planning) is £84,402 and the financial spend to date (including design, surveys and planning) is £51,073. This historic spend has been funded through the HRA Housing Development Budget.
19. Full planning permission was granted on 16th April 2018.

Financial overview

20. The total scheme cost totals over £1M so requires Cabinet and Council approval.
21. Appendix One, sets out the proposed financial profile of the scheme for the Housing Revenue Account (HRA).
22. The total scheme costs are estimated to be £4,452,300 profiled over a 23-month period as the construction phase moves ahead. Scheme costs include estimated construction costs of £4,198,320 (based on build rate of £2,550 / m² provided by Frazer Garner Associates Ltd) and which include 5% contingency budget. Other Fees and Other Costs of £254,000 have also been provided for within total scheme costs at £4,452,300.
23. Around half of this total scheme cost will be funded through capital receipts and s106 contributions; whilst £2,322,300 of Prudential borrowing is required within the HRA.
24. Appendix Two shows the long-term cashflow for the scheme (for both Affordable Rent and Social Rent options). Appendix Three sets out the financial appraisal assumptions.

Financial Strategy

25. The tenure mix of the properties (and associated rental stream) provides a balance in terms of financial returns required by the Council and ensuring low rents. This has been considered in the context of the whole HRA development pipeline identified to date.
26. Estimated long term cash flows presented in Appendix Two indicates the positive contribution in terms of cashflow to the HRA in year 1. A cumulative positive position for the whole scheme will be achieved in year 1 and this will be one of the key financial benefits assumed from this project.
27. The financial appraisal is based on updated assumptions shown in Appendix 3.
28. A total of £300k section 106 monies and £500k BNHRA Reserves will be used to part fund the 14 affordable rented homes.

Capital funding

29. £1,330,000 of Right to Buy funds will be used to part fund the 14 affordable rented homes.
30. If any future residents in the proposed properties exercise the Right to Buy or Right to Acquire during the 25-year loan period, any receipts generated should be retained to repay the loan to offset any loss created by the reduced rental income.

Taxation

31. A tax evaluation has not been undertaken as this is a newbuild housing scheme and will be zero rated.

State Aid

32. State Aid has been considered and assessed as a low risk, as we are not passing on funding to a third party. There is no external funding from Homes England on this scheme.

Prudential Borrowing

33. The Council is able to borrow under the Prudential Code as long as it is affordable and can be repaid over the life of the asset. The proposed scheme is predicated on £2,322,300 of prudential borrowing.
34. Appendix Two demonstrates a positive contribution to the HRA. This is after provision has been made for both capital and interest repayments as well as management, maintenance and major repair costs, and an adjustment to the rental income to cover void costs. Any potential capital growth has been ignored for the purposes of this modelling. The financial modelling assumes the use of flexible short-term funding (at an interest rate of 3.5%) during the construction period before entering into a long-term arrangement (at an interest rate of 3.5%). The 3.5% interest rate has been used as a matter of prudence for the financial modelling. Ultimately the decision to borrow will be a treasury management decision based on the overall financial position of the Council.
35. Furthermore, any funding will only be drawn down when required and not in advance of need.

Value for Money

36. The total construction costs are estimated at £4,198,320 (and total scheme costs at £4,452,300). The Gross Development Value (GDV) is estimated at £4,210,000; the total estimated value of the completed homes.
37. The construction cost for this scheme is higher than average due to the ground conditions (slope), ecology requirements and the topography of the site. This presents challenges in terms of construction.
38. The financial appraisals set out in Appendix One, Two and Three show that the scheme is viable in the short, medium and long term for the Council. The construction costs are based on a build rate of £2,550/m² which has been provided by Frazer Garner Associates Ltd. The total construction costs include a 5% contingency budget.

Consultation

- 39. Pre-application advice was sought through the Local Planning Authority.
- 40. The Housing Development Team undertook consultation with housing teams and input was sought from the Housing Landlord, Enabling and Strategic Housing Options teams.
- 41. Consultation with the Housing Portfolio Holder and Ward Councillors has been undertaken and Ward Councillors have been updated with scheme progress.
- 42. Public Consultation was carried out in February 2016.

Alternative Options

- 43. The following options have been considered and discounted:

Option 1: Market disposal of site

- 44. One option would be to dispose of the site for development. The expected financial benefit would be approximately £1.2m. This option would not deliver the wider corporate aims around housing need and homelessness.
- 45. The disposal of this site could take in excess of 12 months to complete.
- 46. A decision to dispose of the land will incur abortive costs for the Council although some of the costs would be partially recouped through the sale price. Costs incurred and committed so far total approximately £51k including professional costs and site surveys which has been funded through the HRA Housing development budget.

Option 2: Alternative tenure provision (to Social Rent)

- 47. If the 14 affordable rented homes were delivered on social rent levels, this would add significant financial challenges to the delivery of the site. With 14 social rented homes, the scheme would require an additional £1M subsidy in total (which equates to an additional £71k per home) which would need to be funded from s106 receipts (or HRA newbuild reserves). The increase in funding of £1M equates to subsidy required to fund between 20 and 30 Affordable rented homes in the remaining development programme.
- 48. To help mitigate the impact of affordable rent levels on tenants' ability to pay, rents will be capped at Local Housing Allowance rates rather than the higher 80% of average private market rent levels.
- 49. It is worth noting that almost all the existing Council housing across both the Bournemouth and Poole neighbourhoods are on social rent levels. In addition, a balanced approach is being proposed, with some other sites coming forward as social rent where the financial appraisal can better support the lower social rent income levels. A mixed approach allows a balance between maximising the

number of new Council Housing developments which can be funded, alongside making sure the new homes are affordable for those on the Housing Register.

Summary of financial implications

50. Provided within the body of the report.

Summary of legal implications

51. Section 9 of the Housing Act 1985 gives the Council as local housing authority the power to provide housing accommodation by erecting houses on land acquired for housing purposes. This power therefore enables the building and provision of affordable housing under the scheme, accounted for within the Housing Revenue Account (HRA).

52. As stated, the two subsisting public footpaths will be integrated into the scheme, as will a foul sewer indicated on the drainage search carried out as part of preparatory investigations.

53. Houses sold under the right to buy provisions of the Housing Acts 1980 and 1985 may have rights over the site which will need to be taken into account and similar considerations arise in respect of the Environment Agency, which is cited in the utilities report as an affected provider. We understand that both of these issues have been taken into account in the proposed scheme design and cost.

54. The Council also has the power to borrow under section 1 of the Local Government Act 2003 for the purposes set out within this Report.

55. The Council will need to comply with all relevant procurement requirements in undertaking the proposals contained within this Report and the Council will undertake the work in accordance with ongoing legal advice.

Summary of human resources implications

56. The existing Housing Development Team will oversee the delivery of this scheme alongside the other new build schemes in the pipeline. The construction works will be carried out by the Construction Works Team and other professionals have been procured e.g. architects and employers agent to bring this scheme forward.

Summary of environmental impact

57. The development of new homes on the site will improve natural surveillance of the local area, contributing to a safer environment. The site is within a sustainable location and the high-quality building on this site could make a positive contribution to the quality of the environment.

58. The scheme will be fully Building Regulation compliant whereby energy usage and insulation standards are higher than the historical Code for Sustainable Homes Level 3. Photovoltaic panels will be installed on the houses.

59. A copy of the Environment Impact Assessment is included in Appendix Six.

Summary of public health implications

60. The housing scheme will create a sustainable good quality housing development and bring many benefits to the residents and the wider community. The proposed scheme considers surrounding issues such as trees and provides private amenity space to help create an attractive area which improves the local community.

Summary of equality implications

61. The housing scheme will provide accommodation for those who are on the Housing Register and in housing need. As such, many households will have protected characteristics and have vulnerabilities. The Allocation Policy will help manage lets to the scheme for those most in need.

62. A copy of the EINA is included in Appendix Four.

Summary of risk assessment

63. The following key risks have been identified alongside mitigating actions:

| Overall Project Risk Rating | | |
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| Key Project Risks | Gross Risk Rating | Mitigating Actions |
| Rising construction costs render the project unaffordable | Low | Good project management will enable the close monitoring of progress and any issues that may arise to be dealt with promptly. The build cost budget is an inclusive Design & Build cost provided by The Construction Works Team and a 5% contingency for the build is included. |
| Scheme not gaining a satisfactory planning consent | N/A | Full planning permission was granted in April 2018. |
| Delays to scheme start on site due to ecological species relocation period and planning expiry | High | Seeking approval now from Cabinet/Council whilst Local Enquiry continues to allow species relocation immediately afterwards. Planning permission expiry April 2021. |
| Fall in housing need for accommodation tenure provided caused by changes to the housing market or economy | Low | Monitor through construction period the requirement for affordable rent with the Strategic Housing Options team. If required, the Housing Development Team can appraise and suggest changes to tenure to suit need and financial viability as required. |
| Insufficient funding available, such as failure to secure funding from s106 Contributions or RTB receipts | Low | Monitor and review spend of such funding on other schemes within the development programme. Should insufficient funding be available, schemes will be prioritised and potentially some schemes put on hold until sufficient funding is available. Alternative tenures such as Shared Ownership may attract different funding, such as grant from Homes England, which could be used to ensure the scheme is brought forward. |
| Increased fire risk during construction phase | Low | Design and construction will be closely monitored by Housing Development Team, Employers Agent and the Construction Works team. |

64. Property development activity involves inherent risks but a cautious approach has been adopted here to minimise these risks as much as possible. Financial

contingencies have been included and significant consultation has been undertaken to date to help ensure a sustainable scheme.

Background papers

65. Refreshed Bournemouth Housing Strategy 2017 - 2020 -

<https://www.bournemouth.gov.uk/Housing/help-with-housing/Documents/bournemouth-refreshed-housing-strategy-2017-2020.pdf>

66. Housing Strategy Refresh 2018-2020 Borough of Poole

<https://www.poole.gov.uk/council-and-democracy/strategies-plans-and-policies/housing-strategy-refresh-2018-2020/>

Appendices

Appendix One: Income and Expenditure Summary HRA

Appendix Two: Financial Appraisal Long-term Cash flow (for Affordable and Social Rent options)

Appendix Three: Summary of Funding Assumptions

Appendix Four: Equality Impact Needs Assessment (EINA)

Appendix Five: Development proposal plans

- Location Plan and Street elevation: 2672-P-11 H
- Site layout :2672-P-13-U
- Floor Plans Plot 1-7: 2672-P-15 D
- Floor Plans Plot 8-14: 2672-P-16 D
- Elevations: 2672-P-17-E
- Drainage Layout: 2672-P-14 J
- Moorside Road Public Right of Way Plan

Appendix Six: Health and Safety Assessment Tool (HASAT)

Appendix Seven: Environmental Impact Assessment

Appendix Eight: Project Plan