

Report subject	63 Darracott Road Housing Project, Bournemouth
Meeting date	22 May 2024
Status	Public
Executive summary	<p>The 63 Darracott Road housing project is currently in planning seeking permission to construct 6 x 1 – bedroom flats and small office, aimed at housing Single Homeless Accommodation Programme (SHAP).</p> <p>The BCP owned site consists of a disused day centre, within a residential area of Southbourne. The building will be demolished to make way for the new homes.</p> <p>The necessary building works are to be procured directly with the internal Construction Works Team, subject to capacity and budgets being acceptable.</p> <p>They will be built using the design and construction principles as set out in the approved CNHAS Strategy to ensure they provide high levels of thermal efficiency, space and amenity and minimise the need for retrospective environmental upgrades in the foreseeable future, please refer to paragraph 6.</p>
Recommendations	<p>Cabinet approves Recommendation to Council:</p> <ol style="list-style-type: none"> 1. To Council to approve the development of 6x1-bedroom flats at Darracott Road a total scheme cost (Capital Budget) of £1.417m. 2. The financial strategy for the scheme as set out in paragraphs 8 to 14 with specific approval for the use of £817k new prudential borrowing to be repaid over 50 years from the General Fund. 3. The procurement of build works to the inhouse Construction Works Team (subject to capacity and budget). 4. The delegation to Service Director (in conjunction with the Chief Financial Officer) authority to enter into a contract for build works providing all key parameters (including delivery within approved capital budget) are met. 5. Appropriate the site for housing purposes under section 19 of the Housing Act 1985.

Reason for recommendations	To enable the proposed affordable housing scheme to progress with the agreed funding arrangements through to construction and
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	subsequent completion to deliver the wide range of benefits to the Council and local communities.
Portfolio Holder(s):	Cllr Kieron Wilson, Portfolio Holder for Housing and Regulatory Services
Corporate Director	Graham Farrant (Chief Executive Officer)
Contributors	Jonathan Thornton, Head of Housing Delivery Andy Homer, Project Manager Nigel Bower, Land and Partnership Manager
Wards	West Southbourne
Classification	For Decision

The proposed development and tenure mix.

1. The development will provide a total of 6 new homes across the site. Plans for the proposed scheme are included in Appendix 5.
2. The site comprises of 6 self-contained one-bedroom flats and a small office space for use by support staff.
3. The tenure is proposed as Affordable rent, capped at Local Housing Allowance. 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.

Quality build standards

4. The development will provide energy efficient homes to help address the BCP Council declared Climate and Ecological Emergency 2019. The development will contribute to the Council's commitment to achieving a net zero carbon emission target.
5. A carbon reduction statement has been completed which measures the sustainability of the development through carbon savings. The statement provides details of the carbon reduction figures and is included at Appendix 8.
6. All homes will be built to high sustainability standards delivered through excellent fabric first and airtightness measures. This standard offers the benefit of low carbon heating requirements, high levels of energy efficiency and an off-gas heating system.

Council's legal approach to securing satisfactory appropriation

7. The power to erect and use housing on the land only arises on acquisition or appropriation by the local housing authority under Housing Act powers. Appropriation in turn gives rise to a duty for the local authority to make the necessary budgetary adjustments (under section 24 of the Town and Country Planning Act 1959).
8. Appropriation is an executive decision, and one that full council cannot make. It must be made by the Leader, or a person or body delegated by the Leader, be it Cabinet or an officer.

Financial Strategy

9. Appendix One (as extracted below), sets out the proposed financial profile of the scheme for the General Fund. The total scheme costs are estimated to be £1.417m profiled over the next 12 month period as the construction phase moves ahead.

Appendix 1 - Financial Summary for Darracott Day Centre

		Temporary Accommodation in GF		
	Homes Prudential Borrowing Period			0
		50	50	50
		Affordable Rent £000s	Shared Ownership £000s	TOTAL £000s
Scheme Costs			£ -	
Works	£3307m2	1,250	0	1,250
Fees		77	0	77
Other costs (Contingency at 5%)		63	0	63
Interest (during Build Phase)		27	0	27
Land Acquisition costs	Transfer value	0	0	0
Total Scheme Cost		1,417	0	1,417
Scheme Funding	Funding rate (per unit)	0	0	0
DLUHC Grant - Local Authority Housing Fund			0	0
Homes England Grant - SHAP funding		(444)	0	(444)
Affordable Housing s106 Contributions		(156)	0	(156)
Sales - Shared Ownership			0	0
Housing Revenue Account			0	0
- Capital Funding - 1 for 1 Right to Buy Receipts			0	0
- Capital Funding - Reserve allocation			0	0
Prudential Borrowing - additional borrowing		(817)	0	(817)
OPE funding			0	0
Total Scheme Funding (as Cabinet and Council Approved)		(1,417)	0	(1,417)
Net Cost shown as Shortfall if +ve		0	0	0
Total scheme value		1,260	0	1,260
Cost to value		112.46%	0	112.46%

10. Around 31% of the total scheme cost will be funded through Homes England Grant Funding; whilst £817k of Prudential borrowing is required within the GF over a 50-year term following the construction. Appendix Two shows the long-term cashflow for the scheme. Appendix Three sets out the financial appraisal assumptions.
11. 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 GF development pipeline identified to date. Estimated long term cash flows presented in Appendix Two demonstrates that Prudential Borrowing interest will be repaid over 50 years. This is based on a rental income from Affordable rent. Rents charged are shown in appendix 3.
12. Capital outlay – The estimated £1.417m costs of the 6-unit scheme and indicative funding profile are provided below.
13. SHAP funding is bid on a scheme-by-scheme basis to Homes England. Homes England have been briefed on this site and potential allocation of grant.

Prudential Borrowing

14. The Council can 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 £817k of prudential borrowing during the construction phase.
15. Appendix Two demonstrates a positive contribution to the GF from year 1, with a positive cumulative cashflow from year 1. This is after provision has been made for 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 Public Works Loan Board (at the prevailing rate at an interest rate of 5.5%) during the construction period and when entering into a long-term arrangement.

Taxation and Public Sector Subsidy (Subsidy Control)

16. A tax evaluation has not been undertaken as this is a newbuild housing scheme and will be zero rated. Stamp Duty Land Tax (SDLT) is not applicable as the land (existing property) is

already owned by BCP Council but will be transferred to the HRA and will not constitute a chargeable consideration for SDLT purposes. VAT: Any VAT incurred on construction cost will be fully reclaimable as the spend will relate to the statutory function of the Council.

17. Subsidy Control is not applicable as no State resource is passed on by the Council.

Value for Money

18. 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 total scheme cost of £1.417m is higher than the Gross Development Value (GDV) which is estimated at £1.260m, the total estimated value of the completed homes. The scheme provides a surplus in the long term cumulative cashflow at Year 50 of £1.142m.

19. The construction costs are based on a build estimate of £3,307m² including abnormals. At this level, the scheme remains viable in terms of costs and a 5% contingency budget has been included in the financial appraisal.

20. The build estimate has been provided by the Employers Agent.

Consultation

21. Ward Councillor consultation has been undertaken, including a meeting with Housing Delivery team, leading to a positive outcome. Public consultation was undertaken to local residents by letter, prior to submission of the planning application.

22. Once approved, further resident consultation will take place, by letter to inform adjacent residents of when construction will take place and notify them of the contractor (with contact details).

Summary of legal implications

23. Restrictive Covenants on the site are identified (but are undefined), it is prudent to allow for the potential action to appropriate the site for housing purposes under section 19 of the Housing Act 1985. This will then give the Council statutory powers to erect Council housing under section 9 of the Housing Act 1985.

24. Council is empowered by Section 1 Local Government Act 2003 to borrow funds for any purpose related to its functions and this proposal is to support the provision of housing in accordance with the Council's housing duties.

25. A council can appropriate land which is not required for its current purpose to any other purpose for which it is empowered to acquire land.

26. The Council will need to comply with all relevant procurement requirements in undertaking the proposals contained within this Report and the Council will seek further procurement and legal advice in procuring the works contract and completing the appropriate documentation for the construction elements.

Summary of human resources implications

27. The existing Housing Delivery Team will oversee the delivery of this scheme alongside the other new build schemes in the pipeline. The Employers Agent and Cost Consultancy role is already appointed.

Summary of DIA impact

28. The projects Impact Assessment is included at Appendix 4.

Summary of public health implications

29. 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 gives careful consideration to the wider issues such as trees to help create an attractive area which improves the wellbeing of the community.

Summary of equality implications

30. The projects EIA is included at Appendix 6.

Summary of risk assessment

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

Overall Project Risk Rating		
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. Build cost budget set at £1.250m is an inclusive Design & Build cost provided by our Employers Agent. A further 5% contingency is included in our financial appraisals.
Scheme not gaining a satisfactory planning consent	Low	Planning approval for the proposed scheme was applied for in January 2024.
Fall in housing need for accommodation tenure provided caused by changes to the housing market or economy	Low	Monitor through construction period requirement for tenure with the Strategic Housing Options team. Should a particular need reduce the Housing Delivery 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.
Increased fire risk during construction phase	Low	Design and construction will be closely monitored by the Housing Delivery Team, Employers Agent and the Surveying Team.

32. 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 Information

1. [CNHAS report for 29-09 Cabinet Final 29092021 Cabinet.pdf \(bcpcouncil.gov.uk\)](#)
2. [\(Public Pack\)Agenda Document for Cabinet, 13/04/2022 10:00 \(bcpcouncil.gov.uk\)](#)

ppendices

Appendix One : Income and Expenditure Summary
Appendix Two : Financial Appraisal Long-term Cash flow
Appendix Three : Summary of Funding Assumptions
Appendix Four : Decision Impact Assessment (DIA)
Appendix Five : Approved development plans
Appendix Six : Equality Impact Assessment (EIA)
Appendix Seven : Project Plan
Appendix Eight: Carbon Reduction Statement (to follow)

