

Report subject	Constitution Hill Road, Poole, Dorset, BH14 0QA
Meeting date	2 October 2024
Status	Public
Executive summary	<p>The Constitution Hill Housing project is proposing to deliver c98 new residential homes to the Poole area.</p> <p>The project is currently proposed as, c98 homes made up of 76 Social Rent, 10 Temporary Accommodation and 12 Specialist Accommodation.</p> <p>Due to the increased build costs impacting the construction sector, the Council has revised its funding strategy required to support the increased budget. The revised funding strategy detail is included within paragraphs 12 to 18 (and appendix 1) of this report.</p> <p>Previous approvals were to the value of £430k (Officer Decision Record). This report requests a further £995k to secure planning approval and demolition of the seven existing buildings (a total spend of £1.425m, requiring Council approval). The full business case for the new build budget will be presented to Council at later date.</p>
Recommendations	<p>Cabinet recommends to Council:</p> <ol style="list-style-type: none"> 1. Approve a further £995k for design, planning and demolition of existing buildings. 2. Approve the delegation to the Chief Operations Officer in conjunction with the Director of Finance and the Director of Law & Governance authority to enter a contract for demolition providing all key parameters (including delivery within approved capital budget) are met. 3. Appropriate the site for housing purposes under section 19 of the Housing Act 1985. 4. Transfer the site to the Housing Revenue Account (HRA) from the General fund at an appropriate certified value of the land. <p>Cabinet Approval:</p> <ol style="list-style-type: none"> 5. Approve the delegation to the Service Director to vary site security measures.
Reason for recommendations	To enable the proposed affordable housing scheme to progress through to demolition and planning application stage, enabling us to progress the project.

Portfolio Holder(s):	Cllr Kieron Wilson, Portfolio Holder for Housing and Regulatory Services
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Corporate Director	Glynn Barton (Chief Operations Officer)
Contributors	Amena Matin, Director, Investment and Development Jonathan Thornton, Head of Housing Delivery Remi Oshibanjo, Housing Development Manager Gemma Parry, Development Project Manager
Wards	Parkstone
Classification	For Decision

Background

Site background information

1. Constitution Hill is owned by BCP Council and consists of the former Bournemouth and Poole College site purchased in 2015. It was brought into the General Fund as well as land which was surplus to the Ocean Academy school development. The site contains 7no. educational buildings including Lady Russell Cotes House, which is locally listed.
2. The site has been vacant for several years and has been subject to anti-social behaviour including arson and vandalism. Located away from main roads, the existing buildings are not overlooked. There are a high proportion of trees (covered by a blanket Tree Preservation Order), making the site vulnerable to anti-social behaviour. As a result, the Council has incurred significant costs to keep the site secure with 24 hour on-site security and installing hoarding, to maintain the safety of the buildings and adjacent neighbour properties.
3. Following recent and increasingly frequent incidents of antisocial behaviour and damage to property, it has become necessary to increase additional security onsite. This may involve increasing the frequency of visits, instructing security personnel to visit in pairs and enhancing the hoarding the fencing within and around the site. There has been a number of concerns raised from neighbours. There is an intention to install steel palisade fencing to reduce unauthorised entry on to the site in the period leading up to demolition and beyond.
4. By proceeding with the demolition, subject to planning, this will reduce the ongoing concerns and costs of security and unlock much needed land for new homes to reduce pressures on the housing service. The proposed scheme will provide high quality energy efficient housing to increase the Council's housing stock and to help reduce the numbers of families in need of suitable housing. The proposed self-contained Temporary Accommodation will assist in reducing the use of Bed & Breakfast accommodation for homeless families.

Proposed scheme

5. The development will provide a total of circa 98 new homes on the Constitution Hill site and Brownsea Centre site. Plans for the proposed scheme are included in Appendix 5. The mix includes apartments for Social Rent, Temporary Accommodation, Specialist Housing and houses for Affordable Rent. The Temporary Accommodation and Specialist Housing includes appropriate communal spaces. The Temporary Accommodation and Specialist Housing rents are currently calculated as being capped at the Local Housing Allowance.
6. The proposal includes demolishing the remaining 7no. former education properties on the site. Broughton Housing (Building 1) was demolished, following an arson attack in February 2023. Retrospective planning consent has since been granted.
7. Below is an indicative programme for the project. The intention is to return to Cabinet and Council with a full business case in May 2025.

Indicative Programme

Milestones	Indicative End Date
Submission of Prior-Demolition Application	September 2024
Demolition of Existing Properties	January 2025
Enter into PPA	December 2024
Receive Full Planning Decision	May 2025
Cabinet/Council Approval of full Business Case	May 2025
Tendering of Build Works	June 2025
Start on Site	November 2025
Practical Completion	September 2027

8. The current recommendation requests £995k of total funding to cover the following:

Item of works	Cost	Date to complete (or completed)
Architectural design & Principal Designer	£304.1k	£70.1k spent to date. Architect fees - on hold.
Structural design (Lady Russell Cotes House only)	£6k	June 2024
Asbestos Surveys	£5.4k	June 2024
Ground Investigation	£14.2k	Completed
Arboricultural Surveys	£3.8	Completed
Topographical Survey	£30k	Completed
Ecological surveys including PEA (Bat survey and Badger survey)	£42k	July 2024
Employers Agent fees	£67.6k	On going
Planning fee including PPA	£72.3k	December 2024
Fire Consultant	£15.8k	December 2024
Demolition of existing buildings (including tree protection works)	£460k	January 2025
Asbestos removal	£40k	December 2024
Electric, Gas and water isolation and meter removals	£50k	December 2024
Valuation fee	£0.9k	Completed
Historic Costs (Future Places)	£79.7k	Completed
Bat Building and associated works (including design fees)	£100k	December 2024
Sub total	£1.291m	

10% Contingency	£129.2k	
Total	£1.425m	
Less previous approved fee	£430k	
Total funding required	£995k	

Quality build standards

9. The cost estimate allows for the provision of 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.
10. 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 5.
11. 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.

Financial Strategy

12. The scheme currently has an approved budget of £430k, funded by prudential borrowing. This report seeks approval to increase this sum to £1.425m, by an additional amount of £995k. Of the additional monies being requested £460k relates to demolition of the existing buildings. The remainder relates to additional costs to get us to the Planning stage.
13. The site complexities, planning constraints and additional reports required to work up a planning application have added additional spend to the scheme. The £430k was made up from an Officer Decision Record (ODR) approved in January 2023 of £350k plus £42k for Future places and an additional ODR approved in August 2023 of £38k.
14. Both the £430k (existing budget) and £995k (proposed additional budget) are included within the overall proposed scheme estimate at £28.535m shown in Appendix 1, funding for which is shown as external grant funding, borrowing and use of Right To Buy receipts originally earmarked for Princess Road. The Princess Road scheme will be re appraised in the future without this current Right To Buy funding.
15. The total cost for demolition and planning stage of £1.425m will be financed by prudential borrowing.
16. The initial appraisal shows a viable scheme with a modest subsidised cash flow over 30 years averaging at £10,156 per year based on the assumptions in the table (see Appendix 2). These assumptions will be further reviewed in drafting the full business case.
17. The appropriation of the land between the General Fund and the Housing Revenue Account, at an appropriate certified value, will be implemented immediately. The borrowing costs in respect of the £1.425m for demolition and planning stage costs will be incurred in or transferred to the HRA. Consequentially the HRA's level of indebtedness as measured by the Capital Financing Requirement (CFR) will be increased by both the land transfer value and the £1.425m.
18. The full build business case will require and increase in the Council overall threshold for borrowing. The Audit and Governance Committee will therefore be asked to recommend to Council an increase the level of borrowing following the production of both the full business case and a 30-year HRA business plan demonstrating that the debt is affordable.

Risks to the HRA

19. In the event the scheme becomes unviable, the total cost incurred up to that point will be written off in the HRA bearing the full cost of the write off. The HRA will then possess the land which it can dispose or use for other benefits.
20. The full business case will need to demonstrate that the scheme is fully viable based on the assumptions at that time in the context of a 30 year business plan if any subsidy is required. The full business will also confirm the certified value of the land to be used in the transfer of debt between the General Fund and the HRA and therefore as part of the business case and viability assessment.
21. It should be recognised that there are still challenges to this scheme as the Council have no confirmation of government grant approval and assumptions made in the initial model may change (e.g. Government policy re social rent increase, baseline inflationary estimates, market forces, regulatory changes, etc.)

Benefits to the Council

22. The Council will benefit from less cost of temporary accommodation. There will be less borrowing in the General Fund and there will be an increased supply of affordable and specialist homes.

Taxation and Public Sector Subsidy (Subsidy Control)

23. Generally, the construction of residential dwellings does not attract VAT, although VAT can be charged on professional fees such as those for architects, surveyors etc. However, this VAT can be mitigated using a design and build contract (with the advantage being that the design services could also benefit from VAT zero-rating as following the liability of the principal supply of construction services). Whilst outside of a main contract we have allowed for design related VAT costs.
24. Stamp Duty Land Tax (SDLT) is not applicable to the land transfer between General Fund and the Housing Revenue Account (HRA), as the transfer will not constitute a transaction chargeable to tax for SDLT purposes.
25. Subsidy Control is applicable as State resource is given to the Council, in terms of grant from MHCLG and Homes England.

Value for Money

26. The construction costs are based on a projected build cost of £2,670m2 including abnormals (demolition, asbestos and on costs). At this level the scheme remains viable in with a modest subsidy in terms of costs, and a 10% contingency budget has been included in the financial appraisal.
27. Value for money is represented by the following:
 - a) Fabric first specification, including off gas heating/hot water, heat pump technology, to achieve lower energy bills for tenants
 - b) 100% affordable housing, proving homes for people on the housing waiting list
 - c) Savings to the General Fund Revenue Account on future security costs at c£42k per annum.

Consultation

28. Portfolio Holder and Ward Councillor consultation has continued from scheme inception.
29. We intend to carry out a full public consultation exercise once we have feedback from the pre-app planning process (which will establish the pattern of development). This will be undertaken prior to a full planning application being made, to allow for appropriate adjustment of the plans in response to the results of the public consultation.

Approval Conditions

30. Should the build cost increase across the scheme, the Prudential Borrowing would need to be increased to maintain a near steady state for the long-term cash flow. Should costs reduce, typically the funding will reduce proportionately.

Summary of legal implications

31. There Section 9 of the Housing Act 1985 empowers the Council to erect buildings for the purpose of providing housing accommodation where this is undertaken on land acquired for this purpose. The land can be treated as if "acquired for this purpose" by appropriating the land under Section 19 of the same Act.
32. Accordingly, the Council may exercise its statutory power to build the housing scheme once the properties are demolished and the site has been appropriated for housing purposes under section 19 of the 1985 Act.
33. Following the appropriation, the Council must make the requisite adjustments to the General Fund and the Housing Revenue Account as detailed above (section 24, Town and Country Planning Act 1959; section 74(1)(b), Local Government and Housing Act 1989).
34. The council is empowered to borrow under S1 Local Government Act 2003 for any purpose relevant to its functions. The report sets out that the borrowing will be required to enable the delivery of housing.
35. 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 that respect.

Summary of human resources implications

36. The existing Housing Delivery Team will oversee the delivery of this scheme alongside the other new build schemes in the pipeline. Following a previous market procurement exercise the specialist role of Employers Agent and Cost Consultancy is already in place with Ward Williams if the construction phase of the project is to proceed.

Summary of DIA impact

37. The DIA number is 238.

Summary of public health implications

38. 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

39. The EIA number is 2024/30.

Summary of risk assessment

40. 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 will be dealt with promptly.
Planning approval for the scheme.	Low	The site is specifically identified for residential development in the emerging Local Plan. We intend to use a Pre-Planning Agreement (PPA) approach to work collaboratively with the Planning Team, a draft PPA document has been drawn up and the cost included in the financial appraisal.
Presence of Bats. Impact: Bats found post Bat Survey being completed. Outcome: Project delay due to removal of bats. Description: Bats potentially in existing buildings. Will require mitigation if found.	Low	Work with ecologist / bat consultant to understand what requirements / effects of bats being found are. Scope out and undertake surveys. Seek to sequence works around this.
Impact of Trees: Impact: Trees populate area for new development. Outcome: Trees needing to be relocated / removed. Design change around protected trees. Description: Site is densely populated with trees. These may be protected so have to be relocated, or the design changed around these.	Low	Ensure adequate programme / cost allowance. Ensure project description allows for these works. Engagement throughout with arboriculturist. Design team to consider position of existing trees to minimise works required to trees.
Ground Conditions Impact: Different foundations to those allowed for in cost plan. Potential Ground subsidence, etc. Outcome: Specialist foundations (e.g. piles) required	Low	Undertake further GI to ground once hardstanding and existing buildings are removed. GI undertaken at the earliest opportunity; this will enable the designers to modify design in line with ground conditions.
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 Homes England	Low	The Housing Delivery Team are raising the scheme proposal with Homes England in order to gauge their appetite for funding the scheme. However, past experience indicates that provided the grant levels requested can be justified and within an acceptable range, Homes England are likely to be interested in funding the scheme once delivery is more certain (i.e. once it has received planning consent). Should Homes England funding not be made available, internal funding would be investigated. If insufficient funding were available, schemes will be prioritised and potentially some schemes put on hold until sufficient funding became available.
Increased fire risk during construction phase	Low	Design and construction will be closely monitored by the Housing Delivery Team, Employers Agent, and the principal contractor to minimise any risk. Plots will be constructed at different times to provide adequate fire distance breaks, etc.

Property development activity involves inherent risks	Low	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.
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Background papers

41. [Council Newbuild Housing Acquisition Strategy CNHAS 2023-2028](#)
& [Historic England listing rejection report \(Lady Russell Cotes House\)](#).
42. [Approval](#)

Appendices

- Appendix 1: Income and Expenditure Summary
- Appendix 2: Summary of Funding Assumptions
- Appendix 3: Programme
- Appendix 4: Site layout
- Appendix 5: Carbon Reduction Statement (Ward Williams)