

Subject:	Moulsecoomb Neighbourhood Hub and Housing Schemes		
Date of Meeting:	30 April 2020 29 April 2020 – Housing committee		
Report of:	Executive Director for Economy, Environment & Culture, and Interim Executive Director for Housing, Communities & Neighbourhoods		
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Ward(s) affected:	Moulsecoomb & Bevendean; Hollingdean & Stanmer		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The report sets out proposals to release approximately 1.85 hectares of land for development in Moulsecoomb & Bevendean, equating to approximately 232 new council homes – a mixture of 1, 2 and 3-bed units in high-rise purpose builds. The new council homes would be developed by the council's New Homes for Neighbourhoods programme. The council-owned sites identified for Housing development are:

- Moulsecoomb Hub North
- Moulsecoomb Hub South
- 67 Centre
- Multi Use Games Areas on Hodshrove Lane
- Hillview Contact Centre

1.2 In order to release the land for development several existing council services require relocation to alternative accommodation. The report sets out options for providing suitable accommodation to these services. The report also explores opportunities presented by the relocation of council services to strengthen partnership working in the local area, building on and supporting the key priorities identified in the Moulsecoomb & Bevendean Neighbourhood Action Plan.

2. RECOMMENDATIONS:

2.1 That the Housing Committee recommends to Policy & Resource Committee that it:

2.1.1 Appropriates the following sites from existing purposes to Housing Act purposes:

- Hillview Contact Centre, Hodshrove Lane

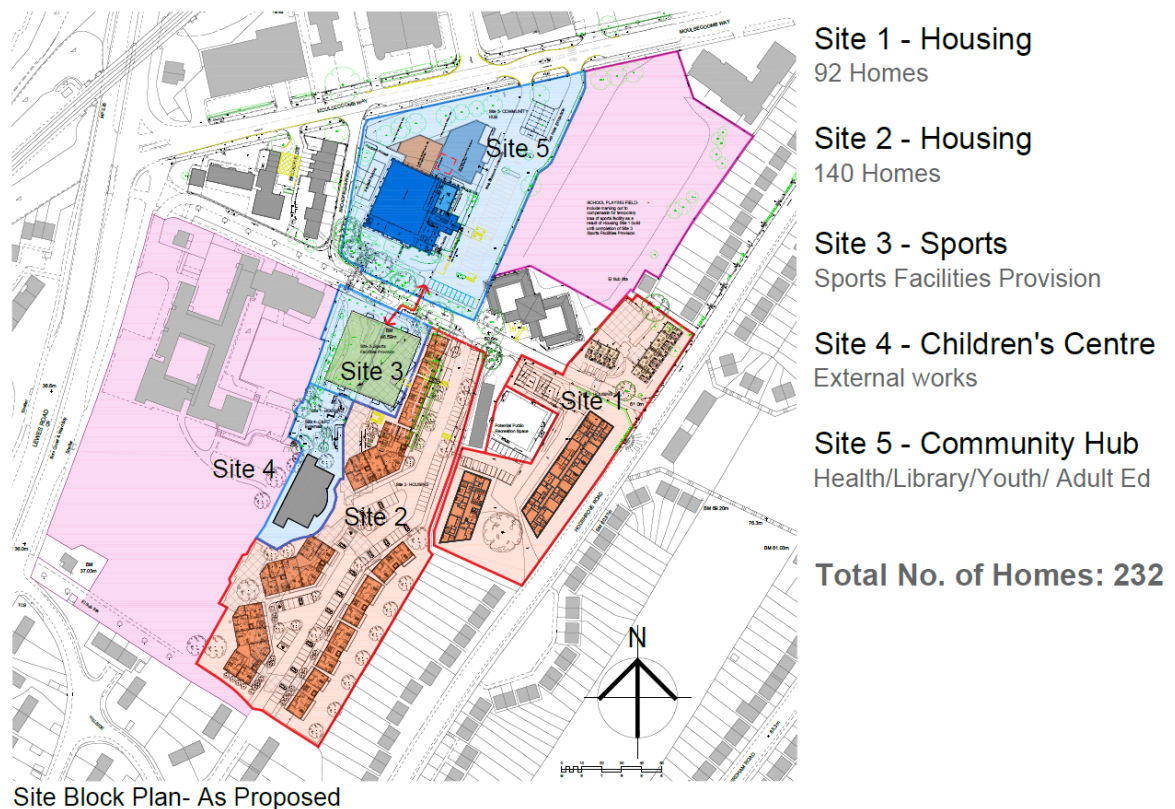
- Moulsecoomb Hub North, Hodshrove Lane
 - Moulsecoomb Hub South, Hodshrove Lane
 - 67 Centre Youth Centre, Hodshrove Lane
 - Multi Use Games Areas, Hodshrove Lane
- 2.1.2 Agrees that the General Fund should receive the value of £7.32m in consideration for land appropriated as defined at recommendation 2.1.1 from the Housing Revenue Account, subject to validation of this amount from an external valuation.
- 2.1.3 Authorises the retention of the net capital receipt to be used for reinvestment to support the development of a new Neighbourhood Hub and Sports Facilities on land adjacent to Moulsecoomb Community Leisure Centre
- 2.1.4 Agrees to the development of a new Neighbourhood Hub and Sports Facilities on land adjacent to Moulsecoomb Community Leisure Centre, subject to planning permission.
- 2.1.5 Agrees in principle to the development of housing on the appropriated sites listed in recommendation 2.1.1, subject to planning permission and notes that the Housing Committee will be asked to approve schemes and give authority to procure capital works contracts at a later date.
- 2.1.6 Notes that the appropriations referred to at 2.1.1 above will take place when the Committee makes the decision to appropriate (assuming that the Committee approves the recommendation) and that the funds referred to at 2.1.2 will be transferred following that decision.
- 2.1.7 Approve a budget for borrowing within the HRA Capital Investment Programme to finance the cost of the appropriation of the sites listed in recommendation 2.1.1 above.
- 2.1.8 Grants delegated authority to the Executive Director of Environment, Economy & Culture to procure the required capital works and enter into contracts in respect of the new Neighbourhood Hub and Sports Facilities and the refurbishment of the former Portslade Sixth Form College site.
- 2.1.9 Approve a budget for inclusion into the Council's Capital Investment Programme for the Moulsecoomb Neighbourhood Hub works as detailed in 3.4.8 below.

3. CONTEXT / BACKGROUND INFORMATION

3.1 Housing

- 3.1.1 Brighton & Hove is a city with an acute 'housing crisis', with over 9,000 households on the housing register, 1,800 in temporary accommodation and a shortage of affordable homes. The council continues to look at the range of initiatives it has to deliver additional housing and meet the Housing Committee Work Plan priority commitment to deliver 800 additional council homes by 2023, and the Moulsecoomb project is well positioned to deliver a significant proportion of this target.

3.1.2 The site map below shows how many houses can be delivered across the sites identified for development in this report.



3.2 Carbon Neutral City

3.2.1 The council has a target for Brighton & Hove to become a carbon neutral city by 2030. This project can support the corporate aims by investing in sustainable construction methods and low carbon energy supply such as solar panels, and ground source heat pumps. It is important to note that in comparison to less sustainable approaches this increases construction costs. It is estimated that sustainable construction methods will generate an average additional cost of £40k per unit. These costs are incorporated into the housing business cases financial viability assessments and naturally increase the amount of gap funding required.

3.2.2 Investment in low carbon, highly sustainable homes will improve their energy efficiency, reducing heating and lighting costs for residents, helping to tackle fuel poverty and financial exclusion. Officers will commission an energy study for the development. The study will compare the up-front costs, fuel costs, maintenance costs, whole life cycle costs and the carbon emissions for a range of options.

3.3 Community Wealth & Social Value

3.3.1 A Neighbourhood Action Plan (NAP) for Moulsecoomb & Bevendean was commissioned through the Trust for Developing Communities. The NAP gave residents the opportunity to say what they felt were the key priorities in the area, and proposals for re-providing accommodation for displaced council services has focussed on supporting these priorities. A copy of the NAP for Moulsecoomb & Bevendean is included as an appendix (5) to this report.

3.3.2 The proposed neighbourhood hub will bring together a range of internal and external partners and services, creating opportunities for greater collaboration interdepartmentally, across organisations, and with local residents. It will also provide a more resilient home for existing services whose current buildings are dilapidated, expensive to maintain and becoming unfit for purpose

3.4 **Neighbourhood Hub: Business Case Summary**

3.4.1 Based on corporate priorities, the Moulsecoomb & Bevendean Neighbourhood Action Plan (see Appendix 5), and feedback from Planning For Real Sessions (see Appendix 1) held throughout January 2020, the following services have been identified as suitable for inclusion in the new Neighbourhood Hub:

- Library
- Youth Centre
- Adult Learning Space
- GP Surgery
- Pharmacy
- Community Café
- Community Meeting Space

3.4.2 Initial consultation has taken place with these services to determine a design brief and agree the principles of shared, collaborative spaces. Based on this design brief, initial proposals for the hub have been produced (see Appendix 2). Quantity Surveyors have estimated construction costs of a hub to accommodate these requirements at £7.5m.

3.4.3 In order to release site 2 (140 homes) and site 3 (Sports Facilities) for redevelopment, alternative office space is required for the Families, Children and Learning services currently based in Moulsecoomb Hub North & South. Following an options appraisal, the former Portslade Sixth Form site has been identified as the preferred location for new accommodation. The existing building requires extensive refurbishment to convert it to suitable office space, which includes the modernisation of heating and ventilation systems to reduce the building's carbon footprint. Quantity Surveyors have estimated the cost of this refurbishment at £4.0m, which includes a substantial risk contingency.

3.4.4 Refurbishment of the former Portslade Sixth Form site is dependent on Secretary of State consent and the satisfactory completion of local consultation. Timescales associated with receiving consent are difficult to predict, so this represents a significant risk to the timely delivery of the project. Site 2 and Site 3 cannot be released for development until the existing social work offices are vacated. To mitigate this risk, substantial contingency has been built into the programme timeline and alternative sites for the relocation of social work offices are being explored. Furthermore, additional office space will be retained in the Moulsecoomb area for social workers to operate from as required.

3.4.5 The refurbishment of the former Portslade Sixth Form site will be procured as a Design & Build contract through the existing Orbis Construction framework. The benefits of using this framework are:

- The council is already using this framework for the Victoria Recreation Ground Sports Pavilion project, so OPL have already reviewed the framework T&Cs and the Access Agreement has already been completed.
- Having used this framework before, the council are now aware of the processes and requirements of the framework, which will speed up and simplify the procurement process.
- Due to the framework being run by Orbis, the council can access it for free (i.e. no call-off fees) and being part of Orbis, we have been offered greater flexibility around accessing the framework, assistance from the framework manager whenever required whilst maintaining control of the procurement throughout the process
- Framework members are small to medium-sized contractors which would be more suited to this type of project
- Competitive rates will be secured following a mini competition call off
- Social Value will be delivered in accordance with the council's Social Value Framework
- Terms and Conditions of the framework satisfy the council requirements
- Orbis monitor framework KPIs to ensure value for money is consistently delivered

3.4.6 Proposals to use the existing Orbis Construction framework to procure the works required to refurbish the former Portslade Sixth Form site we presented to the Procurements Advisory Board on 16th March 2020 and the recommendations were agreed. Outline design proposals for the site are included as appendix 4.

3.4.7 Construction of the new Neighbourhood Hub, Sports Facilities, and public realm improvements will be procured and delivered through BHCC's Strategic Construction Partnership (SCP). As this element of the project requires a new build rather than a relatively straightforward refurbishment, it would benefit from the additional expertise and professional skills available through the SCP including the council's in-house Architects team and Quantity Surveyors.

3.4.8 Additional costs associated with developing the new neighbourhood hub and relocating services affected by the proposals include public realm enhancements, re-provision of sports facilities, project management costs, professional fees and risk allowance. All capital costs associated with the new neighbourhood hub are summarised in the table below.

Hub Requirement	Capital Cost
Neighbourhood Hub	£7,500,000
Hub Public Realm	£200,000
Replacement Sports Facilities	£750,000
Portslade 6 th Form Refurbishment	£4,000,000
Professional Fees & Surveys	£1,500,000
Relocation Costs (inc. Equipment)	£400,000
Risk Allowance (10%)	£1,500,000
Project Management	£470,000
Capital Costs Total	£16,320,000

3.4.9 Capital funds required to deliver the neighbourhood hub have been identified from three sources:

- Borrowing against new income and property related savings
- Existing capital budgets (e.g. Asset Management Fund, Section 106)
- Capital receipts from the appropriation of land from the General Fund to the Housing Revenue Account

3.4.10 New income is derived primarily through leased space within the neighbourhood hub, paid by any non-council service operating from the building. Income has been valued at approximately £300k p.a. based on an average rental value of £20 per square foot. Property related savings are based on the existing running costs of buildings within scope of the project, offset by the anticipated running costs of the new hub and social work offices. This has been valued at approximately £100k, providing a total revenue surplus of £400k. Current rates indicate that approximately £7.5m capital can be borrowed against the anticipated revenue surplus of £400k.

3.4.11 The Asset Management Fund (AMF) is an annual capital fund to support property improvements, property related Health & Safety requirements and access improvements under the Equality Act 2010. It forms part of the Capital Strategy 2020-21, and supports the Workstyles programme, under which the Moulsecoomb hub project sits. Contributions from the Asset Management Fund to the Workstyles programme have been accumulated over a period of three years, enabling the AMF to make a capital contribution of £1.5m to the Moulsecoomb Neighbourhood Hub project.

3.4.12 The capital available through borrowing and existing budgets (£9m) leaves a funding gap of £7.32m. This is the basis for consideration of appropriation between the General Fund and Housing Revenue Account for the sites identified for Housing Development in this scheme. As a benchmark comparison this consideration is equivalent to approximately £32k per home (£7.32m divided by 232 homes), which is in line with other New Homes for Neighbourhoods schemes. If the sites were disposed of on the open market to private developers, high-level valuations indicate a combined value of £25m to £30m for the sites.

3.5 Housing Schemes: Business Case Summary

3.5.1 A key priority of the Housing Committee 2019-2023 workplan is to achieve 800 additional council owned homes. This project would unlock approximately 1.85 hectares of land for development equating to approximately 232 new homes with a mixture of 1, 2, 3 and 4 beds.

3.5.2 This summary is based upon the preferred option 3 highlighted in the housing business case attached as appendix 3 to this report. Further options were explored as part of this assessment.

3.5.3 It should be noted throughout that the financial figures are based on high-level assumptions that are subject to change. Each phase of the housing development will come back to Housing Committee for a separate approval as further due diligence is undertaken as outlined in recommendation 2.1.5.

3.5.4 The proposed housing numbers are broken down as follows based on initial massing studies:

Moulsecomb Masterplan Housing Numbers							TOTAL
			1 bed Flat	2 bed flat	3bed flat	4 bed house	
Site 1	(Hillview/67)		33	36	14	9	92
Site 2	(former social services)		58	64	18	0	140
							232

3.5.5 A full masterplan will be commissioned to explore the opportunities of the development and establish clear design principles that will be applied across all the sites. The feedback from the planning for real sessions will be fed into the masterplan development.

3.5.6 It is likely a “hybrid” planning application will be brought forward consisting of the wider masterplan principles and more detailed applications for site 1 of the housing and neighbourhood hub. Subsequent phases will be brought forward at a later date.

3.5.7 The council’s quantity surveyors Potter Raper have provided initial construction cost estimates based on the housing numbers above. They have included allowances for the following items, as well as a £2.2m contingency:

- PV panels
- Sprinklers to all dwellings and to internal bicycle storage
- Electric Car charging points and provision for future installations (percentage)
- Ground Source Heat Pumps
- Construction on a sloping site
- Sewer diversions works at Hillview
- Asbestos removal allowances
- Retaining walls
- External Surface finishes (roads and paths)
- Landscaping, fencing and other fixtures such as play areas, street and park furniture
- Assumptions on ground decontamination works
- Upgrades to electrical sub-station

3.5.8 These figures have been incorporated into the council’s initial financial assessment which can be found in table 1 below:

Table 1 Costs – 100% affordable (including land appropriation)			
	Site 1 – 92 units	Site 2 – 140 units	Combined site – 232 units
Investment	£’000	£’000	£’000
Land Purchase	2,900	4,400	7,300
Basic Build Costs	13,400	23,300	36,700
Additional Features	1,400	1,900	3,300

Site Infrastructure works	700	1,400	2,100
Other build costs	100	300	400
Preliminaries	2,700	4,000	6,700
Design contingency	1,000	1,200	2,200
Tender price inflation	1,400	3,100	4,500
Professional fees	2,100	3,500	5,600
S106	300	400	700
Total investment	26,000	43,500	69,500
Funded by			
HRA Borrowing	(26,000)	(43,500)	(69,500)

3.5.9 This is a total scheme cost for the housing of £69.5m including build costs, professional fees, inflation and land appropriation costs.

3.5.10 The initial gap funding requirement is outlined below in table 2:

Table 2 60-year NPV Subsidy /(Surplus) and gap funding per unit			
	Site 1 – 92 units	Site 2 – 140 units	Combined site – 232 units
Rent type	60 Year NPV £'000	60 Year NPV £'000	60 Year NPV £'000
LHA Rates	2,200	11,000,	13,200
37.5% Living Wage	8,600	18,400	27,000
27.5% Living Wage	14,500	26,900	41,400
Social	19,800	34,500	54,300
Rent type	Gap funding per unit £'000	Gap funding per unit £'000	Gap funding per unit £'000
LHA Rates	20	80	60
37.5% Living Wage	90	130	120
27.5% Living Wage	160	190	180
Social	220	250	230

3.5.11 Across both sites the gap funding requirements range from £13.2m to £54.3m depending upon the rent levels agreed. The lowest subsidy requirement is £13.2m at LHA rate up to £54.3m at social rents.

3.5.12 The project team have begun initial high-level discussions with Homes England to establish future funding opportunities and grant levels for new affordable housing projects.

3.5.13 In the March budget, it was announced the existing Affordable Homes Programme which is due to end in 2021 would be extended over the next 5 years with a total cash investment of £12 billion

3.5.14 A policy paper entitled “Planning for the future” was published alongside this announcement by the Ministry of Housing, Communities & Local Government (MHCLG). Officers are awaiting further details on this programme and other potential infrastructure funding opportunities.

3.5.15 In light of this announcement, early discussions with Homes England have been positive and full details of this project have been provided to them. Initial indications suggest they would look favourably at a scheme delivering this quantum of housing. However, in-line with Homes England policy, no formal commitment has been given and negotiations are ongoing.

3.5.16 As well as affordable housing options, the Housing Business case attached as appendix 3 explored a planning compliant development which would provide 60% market sale and 40% affordable homes. This option is currently financially unviable based on initial high-level assessments.

3.5.17 Further approaches will be explored as each housing phase is presented to future Housing Committees for approval as the project is developed in more detail and grant discussions with Homes England continue. These options may include:

- A mixture of private market sale and affordable homes
- A mixture of market rented homes and affordable homes
- An mixed affordable rent model including LHA rates and Living Wage

3.5.18 As the project is in the early development stages the following key risks are highlighted in table 3 below:

Table 3. Risks and opportunities				
<i>Risk description</i>	<i>Potential consequences</i>	<i>Likelihood</i> (1 = almost impossible, 5 = almost certain)	<i>Impact</i> (1 = insignificant, 5 = catastrophic/fantastic)	<i>Mitigating controls and actions</i>
Gap funding required for viability purposes totals a minimum of £13m to achieve 100% affordable housing based	Gap funding is unidentified meaning scheme is unviable to develop for housing or to develop the new hub.	2	5	Early discussions with Homes England have begun and other combined grant sources are achievable.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 **Do nothing** – given the broad range of corporate priorities that this project supports (as described in section 3 of this report), ‘do nothing’ is not considered a viable option as it does not deliver any of the programme objectives.
- 4.2 **New social work offices at Falmer Release Land** – In order to release sites 1 and 2 for Housing development, alternative office space is required for social workers. Rather than refurbishing the former Portslade 6th Form site to accommodate this service, an alternative would be to build new offices elsewhere in the city. A review of viable sites has identified Falmer Release Land as most suited for this kind of development. However, a new build would add significant cost to the project, undermining the viability of the business case, and also delay the relocation of the Social Work service. This would subsequently delay the release of sites 1 and 2 for Housing development resulting in a failure to provide additional housing within the council’s target timescales. Developing new office space for the Social Work service is considered a contingency position for the project should Secretary of State consent for a change of use to the former Portslade 6th Form site not be granted.
- 4.3 **Disposal of land on open market** – while disposal of sites 1 and 2 on the open market would provide a higher value capital receipt for the council, it would hinder the council’s ability to maximise the delivery of council-owned rented housing through the schemes. Maximising the amount of council-owned rented housing also emerged as a top priority through the community engagement process and Planning For Real workshops.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Extensive engagement has taken place with local residents and community groups on these proposals through a series of Planning For Real sessions held throughout January and February 2020. The sessions were externally facilitated and invited local residents to view and comment on a 3D model of the scheme, providing suggestions for improvements to the local area, ideas for the new housing development, and recommendations on which services should operate from the Neighbourhood Hub. Feedback from these sessions will be analysed so that local priorities could be identified, helping to inform the design of both the housing schemes and the Neighbourhood Hub. Details of the Planning For Real consultation are included as appendix 1.
- 5.2 The Planning For Real Sessions were jointly facilitated by the Trust for Developing Communities, who were originally commissioned to produce the Moulsecoomb & Bevendean Neighbourhood Action Plan. The NAP remained an important frame of reference during the development of these proposals.
- 5.3 Consultation has started with staff and unions on proposals to relocate social workers to the refurbished Portslade Sixth Form. Feedback and views from staff and unions will inform design proposals for the site.

6. CONCLUSION

- 6.1 Proposals outlined in this report support several of the corporate priorities, including delivering approximately 232 additional council-owned homes, increasing community wealth and social value through a new Neighbourhood Hub, and contributing toward the target of becoming a carbon neutral city by 2030 through sustainable construction methods and infrastructure.
- 6.2 Proposals also support the council's Asset Management Plan priorities and Corporate Landlord strategy through providing modern and flexible accommodation for our front-facing services, creating opportunities for greater collaboration with partners and residents.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The detailed financial implications have been included in the main body of the report and the appended business cases. Budget requests and detailed financial modelling for each housing project will be reported back to Housing Committee for approval, when more detailed designs and costings are available.
- 7.2 In order to appropriate the land to the GF a capital budget line will need to be approved and added to the HRA Capital Investment Programme for 20/21. This will need to be funded by HRA borrowing, however this will form part of the overall budget request for the housing project and will be included in the financial modelling for each individual project. The £7.320m borrowing will cost an estimated £0.240m per annum from 2021/22, but will be dependent on the prevailing interest rate at the time of borrowing.
- 7.3 The capital cost for the new hub will be incorporated into the Council's General Fund Capital Investment Programme. The estimated cost for the hub, refurbishment of Portslade Sixth Form, associated works, professional fees and risk allowance is estimated at £16.320m. This will be financed from a combination of borrowing, corporate funds, likely Section 106 contributions and the capital receipt contribution from the HRA. The financing costs for the borrowing will be met from new income associated with tenants at the hub plus existing net revenue budgets from the vacated properties transferred to the HRA. Work will continue to identify tenants and rental income will be subject to negotiation and agreement. Further detailed work will be undertaken on the capital costs and will be reported back to this committee as part of the TBM update reports.
- 7.4 The running costs for the hub and the Portslade Sixth Form site will be met from the existing corporate landlord budgets associated from the transferred site. These costs are yet to be quantified.
- 7.5 Any decision around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is

undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators.

Finance Officer Consulted: Craig Garoghan / Rob Allen Date: 07/04/20

Legal Implications:

- 7.6 Policy & Resources Committee has delegated powers to manage corporately held property and is therefore the proper committee to authorise the appropriation for part II Housing Act 1985 purposes. All land held for part II purposes (provision of housing accommodation) must be accounted for within the Housing Revenue Account.
- 7.7 The Council will need to follow its own Contract Standing Orders and comply with the public procurement regime when procuring all the contracts associated with the works outlined in the report.

Lawyer Consulted: Alice Rowland Date: 24/01/20

Equalities Implications:

- 7.8 Equalities Impact Assessments will be completed for all elements of this project as part of the design and planning stage of proposals. Feedback from communities and residents gathered through the Planning For Real sessions that relate to Equalities issues will be incorporated into proposals.

Sustainability Implications:

- 7.9 This project can support corporate sustainability priorities by investing in sustainable construction methods and low carbon energy supply such as solar panels, and ground source heat pumps. The project is also engaged in the Circular Economy work and the Low Carbon Across the South East (LoCASE) Project, which has the potential to provide funding for further sustainability initiatives.

Brexit Implications:

- 7.10 Construction and labour costs may be affected by Brexit depending on the outcome of ongoing trade negotiations. This consideration is mitigated through a budget risk allowance detailed in the business case summaries of this report.

Crime & Disorder Implications:

- 7.7 Providing dedicated Community and Youth space in the new neighbourhood hub supports the local agenda to reduce antisocial behaviour.

Risk and Opportunity Management Implications:

- 7.8 The project follows corporate guidance and practice in terms of risk and opportunity management. Risk registers are in place for all elements of the project, and project/programme governance is in place to oversee mitigation and escalation as required. The project reports to the council's Corporate Modernisation Delivery Board.

Public Health Implications:

- 7.9 Issues relating to Public Health are aligned to priorities in the Moulsecoomb & Bevendean Neighbourhood Action Plan and data from the Local Insight report relating to Moulsecoomb & Bevendean. Both documents are included as an appendix to this report.

Corporate / Citywide Implications:

- 7.10 These proposals support corporate and citywide priorities relating to Housing, Carbon Neutral targets, and Community Wealth building as described in the body of the report.

SUPPORTING DOCUMENTATION

Appendices:

1. Planning For Real Summary Report
2. Community Hub Proposed Floorplans
3. Housing Schemes Business Case
4. Social Work Offices – Outline Design Proposals
5. Moulsecoomb & Bevendean Neighbourhood Action Plan

