

Brighton & Hove City Council

Cabinet

Agenda Item 99

Subject: Patcham Court Farm

Date of meeting: 14th November 2024

Report of: Cabinet Member for Finance and City Regeneration

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Ward(s) affected: Patcham & Hollingbury

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

For general release

1. Purpose of the report and policy context

1.1 This report considers options for the future use of Patcham Court Farm as shown on the plan at Appendix 1 ("the site"), and proposes the sale of a long leasehold interest in the site to Royal Mail for the development of a new Delivery Office. This follows work done to assess a Delivery Office against housing and park and ride options for the future use of the site. Relocating to Patcham will enable the Royal Mail to retain their operation and jobs within the city by developing a new state-of-the-art facility.

1.2 The new facility at the site will free up two large sites in the city, at North Road (Brighton) and Denmark Villas (Hove). Entry into the lease for the site by the Council with Royal Mail will be contingent on the council's Homes for Brighton & Hove JV (a joint venture with Hyde New Homes) having first refusal at an agreed price on the Hove Delivery Office site for new affordable homes.

1.3 This proposal accords with the Council Plan 2023 – 2027, specifically:

Outcome 1: A city to be proud of

1. Develop Brighton & Hove as a place where people want to live, work and learn – due to the new state of the art facility that retains 380 jobs in the city.
2. Grow a diverse and sustainable city economy – due to the delivery of a new critical piece of city infrastructure.

Outcome 2: A fair and inclusive city

2. Increase housing supply – due to the sites freed up for housing development.

2. Recommendations

- 2.1 Cabinet agrees to enter into an agreement for lease and grant a lease for a term of 250 years of the site at Patcham Court Farm to Royal Mail for the provision of a new Delivery Office, in line with the Heads of Terms set out in the Part 2 report.
- 2.2 Cabinet delegates authority to the Corporate Director for City Services, in consultation with the Cabinet Member for Finance and City Regeneration, to negotiate and complete the agreement for lease and lease together with all necessary ancillary legal agreements that accords with the Heads of Terms set out in the Part 2 report.

3. Context and background information

Brief history of the site

- 3.1 The site was previously part of the wider land holding of Patcham Court Farm. The now derelict farm buildings were severed from the associated agricultural land when the A27 was constructed.
- 3.2 The site has been considered for development since the early-1990s either through direct negotiations with interested parties, unsolicited interest received from developers or by marketing the site. Various development proposals have been progressed for the site in 1993, 1997, 2000, 2006 and 2009 but did not complete, more often as a result of economic or industry factors. Following an approach from Royal Mail, officers have considered the options for the future use of the site.

Park and Ride Option

- 3.3 The administration has an ambition to deliver a park and ride offer for the city. Being close to the edge of the city, PCF is one potential site. However, work previously completed on locations involved assessment of a much larger area at Patcham Court Farm including the adjacent allotments and cottages.
- 3.4 A smaller park and ride on just the farm site would likely be insufficient to meet total demand and therefore not have enough spaces to fund its own bespoke bus service.
- 3.5 Another key consideration is that a park and ride use does not presently benefit from planning consent, and the allocation in City Plan Part 1 is for B use class employment. As well as being contrary to this policy, any planning application for a park and ride site could generate objections from the South Downs National Park Authority due to the visual impact to and from the national park. The close proximity of the A23 and A27 would also require detailed assessment using modelling to assess the impact on National Highways' trunk road network.

Housing Options

- 3.6 Housing is another alternative option for the site. The council's in-house Architecture & Design team have designed up (for feasibility testing purposes) low density and high density housing schemes for the site. The council's Regeneration Team have then assessed those schemes for financial viability and deliverability, using the software used to track viability for all projects in the New Homes for Neighbourhoods Programme.
- 3.7 Due to the need to clean up land contamination from the old farm use, and the need to attenuate water to protect the aquifer (see section 9, below), there are considerable development costs linked to the site estimated to add a £3.6m cost to any scheme. These 'abnormal' costs mean that a low-density housing scheme (c. 24 units) is not viable because that extra cost is spread between a few homes.
- 3.8 This option would also mean Royal Mail could not vacate their town centre sites, and so a low-density scheme could end up providing more than 200 fewer homes for the city when compared to a scheme that sees the Hove and Brighton delivery offices regenerated.
- 3.9 Even a higher density housing scheme would be unable to cover those abnormal costs as well as the land appropriation cost (between the general fund and the housing revenue account) at the established market value. A scheme that delivered a 100-120 unit-per-hectare density would require four large 4 to 6 storey blocks, which would have a more significant visual impact on the adjacent conservation area and national park than the Delivery Office scheme and would be unlikely to receive planning consent. It would also still deliver fewer homes than the freed up sites in the city, and those homes would be in less sustainable locations.
- 3.10 As previously set out, neither alternative use has planning consent, unlike the Royal Mail proposal. In addition, neither of these uses is in line with the allocation in the local plan for an employment use – while the Delivery Office proposal does accord with this policy. The other positive elements of the Royal Mail proposal are also lost, including the reduction in HGV movements into the city, the introduction of a 100% electric vehicle fleet going into the city, and the retention of jobs in the city.

The Royal Mail Option

- 3.11 In 2017 the council was approached by Royal Mail who had been looking for a new site in the city for over five years to accommodate their Brighton and Hove Delivery Offices. In order for Royal Mail to remain within the city it was essential that they could retain their employees whilst addressing significant operational challenges. The main driver for Royal Mail was that their Brighton Delivery Office was not fit for purpose in terms of both building design and road links.
- 3.12 The Brighton Delivery Office is a five storey 1920's city centre building with very restrictive access and a constrained service yard. Operations are

severely hampered due to its poor configuration with much of the building remaining vacant and 'mothballed'. The building is in a poor state of repair but as it cannot meet Royal Mail's service requirements, they are reluctant to commit to further significant investment. The quality of the building and antiquated facilities have created a poor working environment that has been identified by Royal Mail as the most significant factor impacting their ability to recruit and retain staff on site.

- 3.13 The location of the Brighton Delivery Office, in a densely occupied part of the city in terms of both commercial and residential uses, with heavier congestion on the city centre road infrastructure not only impacts Royal Mail's vehicular access and delivery to the building but is also detrimental to the local amenity of its neighbours and contributes to city centre congestion.

Reasons for Recommending the Royal Mail Option

- 3.14 The proposal from Royal Mail brings with it a number of benefits, beyond a capital receipt for the council. Royal Mail currently struggles with the demands of the modern mail service from the existing Delivery Offices and this will be exacerbated further in the future. A Royal Mail Delivery Office is a key piece of city infrastructure, serving the needs of residents and businesses alike. This proposal enables Royal Mail to retain 380 jobs in the city, within a building that would offer the some of the highest environmental standards within their portfolio. With the absence of other options, they would need to look for sites outside the city which would generate more journey miles and eventually result in fewer local jobs.
- 3.15 There are also benefits linked to environmental performance of the proposed new building on the site when compared to the existing facilities and with the move to an entirely EV local fleet. Royal Mail has also committed to the removal of HGV movements going into the city (see Sustainability Implications at section 9 below).
- 3.16 This proposal is the first major redevelopment scheme of the Patcham Court Farm site that has been agreed by Planning Committee. This committee considered the scheme at its meeting on 4th September 2024 and granted consent (subject to completion of the section 106 agreement). This is a hurdle no other schemes have passed and represents considerable investment in time and money on the part of Royal Mail to get their proposal to this stage. The Secretary of State has confirmed they will not be calling the application in and it can be determined by the city council.
- 3.17 Bringing the site into the use identified in the Local Plan, for industrial or business use, has the placemaking benefits of ensuring jobs and homes are co-located, creating more sustainable communities.
- 3.18 In advance of completing a disposal of the site to Royal Mail the council will be required to terminate the existing tenancy on the site and secure vacant possession. The council is in discussion with the current tenant.

- 3.19 Valuation work has been completed to ensure the terms agreed represent best consideration.

Proposed Housing Opportunities Unlocked by the Royal Mail Option

- 3.20 One of the key strategic benefits is the fact the move to PCF would free up the existing Royal Mail sites at North Road and Denmark Villas (“the Hove site”). Both sites can deliver new homes, and in Brighton also employment space.
- 3.21 The Hove site offers an exceptional opportunity to build new affordable homes in a part of the city where property and land values are high. Officers examined the option of the council buying the Hove site to build council homes through the New Homes for Neighbourhoods Programme, but found it was not financially viable. Officers then instructed the Homes for Brighton & Hove (HBH) joint venture between Hyde Housing Association and the city council to look at the potential of the Hove site. HBH has completed this initial work and now entered into early negotiations with Royal Mail on an acceptable land price. Indications are that there is a viable scheme to build c.120 new affordable homes at an agreed price for the land. In line with HBH’s business plan, this would be a mix of social rent homes owned by the city council and shared ownership managed by Hyde. The target is a 50/50 mix of shared ownership and social rent across the JV as a whole.
- 3.22 The proposal is for the land deals between the council and Royal Mail on PCF, and between Royal Mail and HBH on the Hove site, are treated as two separate transactions. However, the heads of terms propose that the sale of PCF to Royal Mail includes a condition that HBH is given first refusal to buy the Royal Mail site at the agreed land value. HBH may opt not to buy the site if it proves unviable after further investigation, but that will be at HBH’s discretion. The purchase would need to be agreed by the HBH Board, Hyde’s Board and a further report would also need to come to Cabinet for approval.
- 3.23 HBH have also looked at the viability of purchasing the Royal Mail site at North Road, Brighton. This site is allocated to deliver c.110+ new homes and 3,000m² of office space. This site could not deliver a viable scheme within the HBH business plan at the market land value. In addition, the need to provide employment space would put the site outside of the HBH’s core focus on housing.
- 3.24 However, the Brighton site remains an exciting regeneration opportunity, and the city council is exploring planning guidance it can develop to place-shape what is an important urban block in the North Laine.
- 3.25 Royal Mail have also advised that the parcel and mail collection function that presently operates from North Road and Denmark Villas will be replaced by another city centre presence. It will not operate from the new Patcham Delivery Office to prevent traffic impacts caused by visiting members of the public.

4. Analysis and consideration of alternative options

- 4.1 Consideration has been given to other potential land uses of the site, given the scarcity of development opportunities in the city. This is set out in section 3 above, as the consideration of the alternative options has been integral to coming to a recommendation.

5. Community engagement and consultation

- 5.1 The Royal Mail proposal has been through a planning application process and has been granted consent. The planning application had three statutory consultation processes, generating 1,163 responses, and Royal Mail carried out their own pre-application consultation. This considerable weight of public opinion was considered as part of the planning decision. (A link to the public comments made to the planning application is provided in Background documents).

6. Financial implications

- 6.1 The sale of the long leasehold interest in Patcham Court Farm will yield a net capital receipt, which will support the council's corporate capital investment strategy. Any costs associated with the transaction will be netted off from the final receipt.
- 6.2 Developments taken forward via the councils Joint Venture with Hyde are subject to a full business case being produced. Should the development be assessed as viable a separate cabinet report will taken forward seeking project approval. As with other developments in the Joint Venture the councils Housing Revenue Account will be given the first option to purchase the homes and let them for General Needs purposes.
- 6.3 All costs associated with developing the Heads of Terms for the sale to HBH are being met from within current HBH resources.

Name of finance officer consulted: John Lack Date consulted: 13/10/2024

7. Legal implications

- 7.1 The Council has the power to dispose of land pursuant to section 123 of the Local Government Act 1972 for the best consideration reasonably obtainable. This report confirms that the terms represent best consideration in compliance with these requirements. In exercising the delegated authority to enter into the agreement for lease and lease, the Corporate Director for City Services in consultation with the Cabinet Member for Finance and City Regeneration will need to continue to be satisfied that these requirements are met.

Name of lawyer consulted: Siobhan Fry Date consulted: 15/10/24

8. Equalities implications

- 8.1 Moving the Delivery Offices to a new purpose-built facility would mean that Royal Mail no longer have to operate from ageing facilities in the city. These old facilities do not aid staff retention, and the new facility will also ensure better equality of access to the workplace for disabled staff.

9. Sustainability implications

- 9.1 The new Royal Mail facility has a number of sustainable transport implications. Movements of HGVs from the Gatwick depot would no longer have to enter the city centre, instead they would come off the A27/A23 junction to unload. Onwards 'final mile' delivery vans will consist of a 100% EV fleet, reducing carbon emissions, air and noise pollution.
- 9.2 The new building will be BREEAM 'Outstanding.' Royal Mail state this will be one of their very highest performing buildings in environmental terms. 10% Biodiversity Net Gain will be delivered.
- 9.3 One area of concern raised during the planning application by local residents has been the potential for impact on aquifer storing the city's drinking water. The site is located within Source Protection Zone 1, the Brighton A and Brighton B groundwater abstraction area, and within 150m of an adit connected to the Brighton A source. This means that infiltration (the process by which water is absorbed into the soil) is an unsuitable method of drainage for the proposed development as it risks contamination of groundwater. Additionally, soakaway tests have also revealed that the infiltration rate on the site is poor. The proposed development will result in an increase in the impermeable area of the site.
- 9.4 To address this the drainage strategy will reduce the rate of surface water run-off from the site via the inclusion of green roofs, swales, permeable paving and a sub-base for attenuation, and geocellular storage. The swales, permeable paving, attenuation and geocellular features will all be lined with an impermeable membrane to prevent infiltration. Flow controls will then be implemented to reduce the discharge rate to below 1.5l/s (Southern Water's permitted discharge rate). Southern Water have indicated that they can facilitate surface water run off disposal.

10. Health and Wellbeing Implications:

- 10.1 Section 9.1, above, sets out Royal Mail's EV fleet strategy and the reduction in city centre HGV movements, which will have a beneficial impact on air quality.

11. Conclusion

- 11.1 The proposed land deal offers an excellent opportunity for the city council to realise the market value for the site, to retain 380 jobs in the city and to update important city infrastructure. It also frees up Royal Mail sites in the city centre for regeneration, with one of them coming forward for the potential development of affordable homes by our HBH JV. For these reasons, and when considered against the thirty-year history of not being able to develop the site, it is recommended that the sale is agreed.

Supporting Documentation

1. Appendices

1. Site Location Plan Patcham Court Farm Royal Mail development site

2. Background documents

1. A link to the Public Comments made on the planning application:

<https://planningapps.brighton-hove.gov.uk/online-applications/applicationDetails.do?activeTab=neighbourComments&keyVal=REV1UTDMGC800>