

Report to: Cabinet

Date: 16 March 2020

Title: Housing Revenue Account Capital Budget Allocation – Bedfordwell Road and appropriation of other development sites from the General Fund to the Housing Revenue Account

Report of: Ian Fitzpatrick, Deputy Chief Executive, Director of Regeneration & Planning

Cabinet member: Councillor Alan Shuttleworth, Cabinet member for direct assistance services

Ward(s): Upperton

Purpose of report: This report sets out the budget for the residential, commercial and community development of Bedfordwell Road. It also requests additional land which could be developed for housing is appropriated to the HRA to enable delivery.

Decision type: Key Decision

Officer recommendation(s):

- (1) To delegate authority to the Director of Regeneration & Planning in consultation with the Portfolio holder for Housing and the Chief Finance Officer to make an allocation in the Housing Revenue Account (HRA) for £29m for the construction programme at Bedfordwell Road.
- (2) To note the financial and legal advice provided within this report.
- (3) To agree to delegate authority to the Director of Regeneration and Planning in consultation with the Portfolio Holder for Housing to:
 - (a) appropriate all or part of the land at Bedfordwell Road, in accordance with further financial and legal advice to be taken, from the General Fund to the HRA
 - (b) appropriate all or part of land at further sites as identified in paragraph 6.3 of this report, in accordance with further financial and legal advice to be taken, from the General Fund to the HRA

Reasons for recommendations: To finalise the budget available for the delivery of Bedfordwell Road within the Housing Revenue Account Business Plan and also enable the pipeline of delivery of new homes through appropriation of land from the General Fund to HRA

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1 Introduction

- 1.1 A paper presented to Cabinet in September 2019 outlined the options available to the Council for development of the council owned site at Bedfordwell Road, Eastbourne which is set to deliver new homes, commercial and community premises for the town.
- 1.2 The recommendations of that report were agreed and the the Bedfordwell scheme has since progressed in terms of a developed outline design and consideration of the best procurement route. Officers have been working with specialist consultants and architects to ensure the scheme continues to deliver community benefit and cost effective new homes. In addition extensive work has been undertaken to consider the most appropriate way of the Council financing the project and the legal implications of the Council considering different vehicles or Council owned companies for the development.
- 1.3 This report seeks to confirm the procurement, financing and delivery arrangements and request the budget for development of the Bedfordwell scheme. The Council are now at the point of needing to negotiate the contractual terms between themselves and the proposed developer. The report seeks agreement of a capital allocation in the Councils Housing Revenue Account (HRA) of £29m where it is proposed the development is cashflowed and the social housing held on completion.
- 1.4 Additionally the report sets out the appropriation of a number of housing delivery sites. This will allow further new homes sites to progress utilising the borrowing capacity of the HRA and supporting housing need.

2 Procurement – Bedfordwell Road Scheme

- 2.1 The overall scope of the Bedfordwell Road project has not changed since the Cabinet report in September 2019 with the deliverables remaining 96 new build homes, 13 refurbished homes plus additional commercial and community space in the Pump House.
- 2.2 Based on the viability assessment undertaken the scheme is still financially capable of providing 55 affordable units which is 57% of the development in addition to 41 market sale homes. The Council remain committed to increasing social housing for the Borough and will continue to work with partners such as

Homes England to maintain appropriate rent levels were possible. The Pump House will have a Commercial use as well as residential dwellings, including A1 and smaller commercial units which could provide office/business or community space on the lower floors.

2.3 The development team are scoping the most cost effective design solution for the housing and continue to explore what could be delivered over and above the current building regulations in relation to sustainability. Since the Council have committed to taking action due to the Climate Emergency the development of innovative options will be paramount in the development of the design and partnership with the developer.

2.4 The Council have since the Cabinet Report in September 2019 explored the best way of managing the development of the Bedfordwell Road scheme. On assessing all of the options the Council have decided to proceed with use of an external procurement framework where the Council directly contracts and instruct specialist consultants to support with management of the project. The Council have made a commitment to ensuring this scheme is delivered and their continued ownership of the process is thought to be the best option.

3 Outcome expected and performance management

3.1 Based on the funding and scope of work included in this report being approved, we expect the delivery of the scheme to take place on the timetable below:

Planning Approval for revised scheme	Summer 2020
Environmental Works completed	December 2019
Remedial Works completion	Spring 2020
Archaeological Works completed	Spring 2020
Start on Site (pre-construction)	Autumn 2020
First Sales / Handovers	Spring 2022
Final Completion	Spring/Summer 2023

3.2 On the basis of this indicative timetable we can start to sell and let homes within the next 2 years.

3.3 The land to be appropriated to the HRA for additional homes will deliver in the region of 80+ new homes. However given the sites are at early feasibility stage a further report will be presented to Cabinet outlining the programme once design is finalised and planning is approved.

4 Budget

4.1 The ultimate budget for the Bedfordwell Road scheme has not changed since the Cabinet report of September 2019 and a capital allocation is requested of £29m to be financed through the HRA. This budget will cover the cost of the development cashflow and borrowing plus the retainment of the social housing to be held as assets in the HRA for letting to people on the housing register.

- 4.2 The projected Net Present Value (NPV) of the Bedfordwell Road scheme has not changed since the Cabinet report of September 2019 and the contingency allowed is thought to be tolerant to current and projected market conditions. The project will be carefully re-appraised on a monthly basis with detailed analysis provided to the Senior Leadership Team and where appropriate Members.
- 4.3 The new homes to be delivered through the appropriation of the additional development sites to the HRA outlined in section 6.3 would need to be considered within the context of the HRA business plan borrowing and cashflow requirements. Where necessary the Council will engage with the Secretary of State through the Ministry of Housing, Community and Local Government (MHCLG) who governance HRA financing, to enable any further permissions required to secure HRA borrowing and/or development finance that would enable the delivery of the additional homes for the town. The feasibility of the sites will be financed through existing HRA revenue to enable a full programme to be presented to Cabinet in future which can define the costs and finance required.

4 Consultation

- 4.1 A full consultation will be followed as part of the planning process for the revised scheme including enhanced community engagement to create an identity for the new neighbourhood A full communication plan and strategy will be made available for residents and interested parties utilising on-line engagement tools where possible.

5 Corporate plan and council policies

- 5.1 The development of the Bedfordwell Road scheme meets the Council objectives in the corporate plan delivering more homes for the town and supporting the local economy through thriving communities in addition to increase the availability of affordable and market sale homes available for the town
- 5.2 Any affordable housing built will be compliant with the Council's Affordable Housing requirements as set out in their planning policy documents. This proposal increases the affordable homes above the policy requirements which is a target for the Council to achieve where possible. This has in part been possible due to the contribution from Homes England through the Housing Infrastructure Fund (HIF). Given this site has been stalled for many years the Council have adopted the central Government approach to 'making homes happen' in taking this scheme forward directly.

6 Next Steps

Bedfordwell Road

- 6.1 By directly delivering and maintaining control of the project will enable the delivery of a quality new build scheme which renovates the Pump House and benefits the local community. Given the Council's successful delivery of 200 new homes over the preceding 5 years the internal team are confident of management and delivery led internally.

6.2 To support with the technical aspects of the project an Employers Agent (EA) is instructed to proceed with the revised planning will support the project through the practical completion. The scope of the EA role includes the contractual management therefore ensuring the Council has a good level of continued due diligence managing the main contractor and consultants.

6.3 Other sites for Appropriation

The Council holds further development sites within the General Fund which, as outlined above, could enable further housing. Those sites are the Tourist Information Centre (Cornfield Road), Southfields Road car park and the former Ministry of Justice site in Old Orchard Road. This report delegates authority to the Director for Regeneration and Planning and Chief Finance Officer to appropriate all or part of those sites to the HRA in accordance with further financial and legal advice to be undertaken.

7 Financial implications

7.1 The Council's existing Capital Programme included a provision of £2m in 2019/20 for the Bedfordwell scheme. The Council have received a report from Link Asset Services who have provided advice on how the scheme could be financed. In addition the Council have instructed their HRA Business Plan Consultant to assess the viability of delivering the scheme through the HRA. On the basis of the current cashflow assumptions delivery the scheme is tolerant with the HRA business plan constraints. However it should be noted that the HRA then has limited additional borrowing capacity above the contract value. Therefore effective and constant reviewing of the financial viability of the scheme will be paramount.

7.2 The Council will be mindful of the financial challenges when considering how best to deliver the scheme. It is likely the Council will seek planning permission whereby units can be delivered in tranches or phases prioritising units where cyclical financing is possible to support cashflow.

7.3 A further report on the financing of the additional sites in section 6.3 to be appropriated will be present to Cabinet outlining the financing mechanisms. To enable the sites to proceed at the pace required to retain Right to Buy Receipts (RTB) Officers will utilise existing HRA revenue to develop the feasibility of the sites to a point at which they can confirm the financing requirements and best method of delivery. This could be right up to the point of planning approval confirmed and with a contractor procured depending on the type of construction.

7.4 Financial assumptions for the Bedfordwell scheme are included at Appendix 1 as they contain commercially sensitive information.

8 Legal implications

8.1 Bedfordwell Road

Development will need to take account of any title matters and restrictions and

on-going legal advice will be obtained in relation to title matters.

- 8.2 All transactions will need to be on market terms or otherwise State aid compliant.
- 8.3 In relation to the affordable rent properties the Council can rely on section 9 of the Housing Act 1985 to undertake the development. The land will need to be appropriated from the General Fund to the HRA for housing purposes. Right to buy will apply to these properties
- 8.4 In relation to the shared ownership properties the Council can rely on section 9 of the Housing Act 1985 to undertake the development. The land will need to be appropriated from the General Fund to the HRA for housing purposes. Right to buy will not be applicable to these properties. The sale of property held in the Council's HRA requires Secretary of State consent under Section 32 of the 1985 Act. However, in the case of the grant of shared ownership leases, the Council may rely on the March 2013 General Consent (the 2013 General Consent) which permits the disposal of unoccupied dwellings to individuals for use as their only or principal home. The 2013 General Consent also sets out specific requirements in relation the level of discount and rights of alienation and pre-emption which the Council must observe with respect to shared ownership leases.
- 8.5 In relation to properties for market sale, the Council has a choice of powers, s9 of the Housing Act 1985 (in which case for these properties appropriation to the HRA would not be required before use of this power because it can be used in relation to land held by the General Fund (GF)), s2 Local Authorities (Land) Act 1963 or s1 Localism Act. In each case s123 Local Government Act 1972 applies to disposals of completed dwellings
- 8.6 Land can be appropriated from the GF to the HRA pursuant to section 122(1) of the Local Government Act 1972 for an alternative purpose for which the Council is authorised to acquire land and where the land is no longer required for the purpose for which it is held immediately before the appropriation. The Council will appropriate the affordable rent and shared ownership properties from the GF to the HRA for housing purposes. The Council is satisfied that the public need in the area is best served through placing this land within the HRA and developing through the HRA.

Further legal and financial advice is being taken to ensure that the correct accounting treatment is applied to the market sale housing land. If advice is that this land should be appropriated to the HRA the Council will appropriate accordingly. If the market sale housing is appropriated to the HRA the Council can rely on the 2013 General Consent which permits the disposal of land (including housing) for full market value.

8.7 Other sites

In relation to the sites at the Tourist Information Centre (Cornfield Road), Southfields Road car park and the former Ministry of Justice site, the Council delegates authority to the Director of Regeneration and Planning to (a)decide, at

the time that the appropriation is proposed, whether the land is no longer required for the purpose for which it is held currently and whether the public need will be best served through placing this land within the HRA and using the land for housing purposes (b) approve and authorise any appropriation considered necessary by him as a result of his decisions under (a) above. This delegation will be exercised in accordance with further financial and legal advice.

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9 Risk management implications

9.1 The key risks and mitigations are set out in the following table:

Ref	Risk	Mitigations
1	Build cost overrun	<ul style="list-style-type: none"> • Build costs have been provided by consultants and include a contingency. Building contract will be based on a fixed price contract. • Ground condition surveys have been completed to assess abnormal costs and remedial works are already underway
2	Quality not delivered	<ul style="list-style-type: none"> • The scheme will be designed in consultation with EBC • We will maintain control of specification of details within the Pump House particularly to ensure design quality is maintained.
3	Legal issues	<ul style="list-style-type: none"> • See legal implications section
4	Sales Risk	<ul style="list-style-type: none"> • See confidential Appendix 1
5	Long term viability	<ul style="list-style-type: none"> • The affordable rent and shared ownership are both in high demand with limited new supply in the town.

10 Equality analysis

The provision of good quality housing with a mix of tenure and affordability helps meet the need of the community. Affordable housing allows the Council to provide assistance to those in need within our community. An equality analysis will be completed as part of the Communication and Engagement plan.

11 Environmental impact analysis

This will be completed in conjunction with the review of design and method of construction.

12 Appendices

- Appendix 1 – Costs (Exempt)

13 Background papers

The background papers used in compiling this report were as follows:

- Site Location

[location Map.jpg](#)

- Current Layout

[Bedfordwell Road Site Plan.docx](#)

- Pump House

[Pump House Bedfordwell.docx](#)