



**PORTFOLIO HOLDER: FINANCE AND SUPPORT AND HOUSING**

**CABINET 5 SEPTEMBER 2001**

**LOCAL INFORMATION OFFICE AND AFFORDABLE HOUSING  
AT STANNINGTON CAR PARK, ASHLEY ROAD/SPENCER  
ROAD, NEW MILTON**

**1. INTRODUCTION**

- 1.1. Members have previously considered proposals to enhance local service provision and provide affordable housing in New Milton. At the meetings of 6 and 20 December 2000 Advisory Cabinet and Policy and Resources Committee respectively resolved to support proposals for the construction of a local information office (457 sq. m.) together with 12 “affordable” flats (7no. 1 bed, 5no. 2 bed) at Stannington Car Park, authorising the Director of Environment Services to dispose of the land for such purposes, subject to the granting of planning permission. At its meeting of 14 February 2001 Planning Development Control Committee resolved to grant planning permission for the development subject to a planning agreement limiting occupation of the offices to governmental and related organisations and the flats to use as affordable housing.
- 1.2. The offices would be occupied by New Forest District Council, New Milton Town Council (NMTC) and the Citizens’ Advice Bureau (CAB), with the flats controlled by Swaythling Housing Society, one of the District Council’s partner Registered Social Landlords.
- 1.3. Since that time scheme details have been worked up and costed, and funding opportunities investigated further.
- 1.4. At its meeting of 1 August 2001 Cabinet agreed that options for providing office accommodation and affordable housing be investigated in order that they may take a decision on how to progress matters.
- 1.5. The purpose of this report is to update Members on progress and to determine how to proceed.

**2. PROGRESS**

- # 2.1 Messrs Goadsby and Harding were retained to carry out a search for alternative office opportunities in New Milton. In summary, their findings report that;

*“There are no large office buildings for sale or lease in the town centre which could meet even one of the occupiers requirements”*

The report does identify a number of potential redevelopments sites within the town. However one is encumbered by a complex series of Rights of Way, others already have planning consent for alternative commercial or residential use. The acquisition of any of these sites would add additional cost to the scheme in order to finance purchase cost.

The author of Goadsby and Harding's report finally concludes that;

*"I cannot offer any easy alternative to the Council for its scheme of developing its existing Ashley Road Car Park."*

2.1.3 The Council and its partner Registered Social Landlords are constantly searching for affordable housing opportunities throughout the District. While there are several sites being investigated in New Milton at present, in view of the very high housing need (500 households on the Housing Register) it is important that opportunities are maximised. For this reason any new dwellings that are provided on alternative sites that should be viewed as additional to, rather than alternatives to, those which may be provided at Stannington.

### **3. FINANCIAL ISSUES**

- 3.1. A leasing and finance package has been developed with the Housing Society to enable the project to proceed. This involves:
- i. A long lease being granted to Swaythling Housing Society (999 years), at a peppercorn, to allow them to construct the offices and affordable housing, with a sub-lease back of the ground floor to the District Council (999 years), and the Council granting further sub-leases of the ground floor to the Town Council and CAB.
  - ii. Social Housing Grant from The Housing Corporation.
  - iii. Resources from Swaythling Housing Society.
  - iv. Resources from the District Council and other office occupiers as a contribution towards the costs of construction and fitting out of the offices, and annual running costs.

- 3.2. The overall scheme costs are estimated at £1.4m (incl fitting out and ICT costs) (subject to tenders). A budget of £150,000 has been made available by the District Council for fitting out, however this provision was made some time ago when it was planned to convert an existing property rather than undertake a new build scheme, and ICT proposals were much less sophisticated. Of the original budget, £7,000 has been paid as fees, leaving a balance of £143,000 currently available.
- 3.3. NMTC has also allocated funds for fitting out. They would need to fund construction costs by way of a rental contribution.
- 3.4. The financial viability of the package is reliant on three major factors:
- a) Capital funding being available from Swaythling Housing Society and the Housing Corporation. Both organisations have agreed, to part fund the project.
  - b) A capital contribution being made towards, or rental income being derived from, the office accommodation to cover construction and fitting out in order to fill the remaining “funding gap”. The costs of the offices would need to be apportioned between office users in order to repay for costs incurred by the Housing Society.
  - c) Provision for annual running costs.
- 3.5. The estimated cost of the construction and fitting out costs of the office element is £685,000. Based on the split of floorspace agreed with partners (with the District Council retaining control of the lobby area) the allocation of costs is as follows:-

	£000
New Forest District Council	274.0
New Milton Town Council	182.5
CAB	228.5
	685.0

- 3.6. In view of the lack of capital resources available to each organisation, alternative scenarios involving the Housing Association funding all or part of the initial build costs and then leasing back the office element to the District Council are being considered.

- 3.7. Appendix 1 details the financial implications of four scenarios, being:

Option A – outright capital purchase, with no ongoing rental liability for the District Council.

Option B – Lease rental of the residual build cost element over 25 years, with a capital contribution of £325,000 from the District Council and £120,00 from the Town Council.

Option C – lease rental over a 25 year period with a capital contribution of £143,000 from the District Council and £120,000 from the Town Council.

Option D – lease rental over a 25 year period with no upfront capital contribution from either the District or Town Councils.

- 3.8 Where the lease rental period exceeds 10 years, this results in a credit arrangement being entered into and therefore, as well as making the lease rental payment, the District Council would be required to set aside capital spending power in accordance with a stipulated formula, based on the level of rental payment. The required set aside could be reduced by 61% if the Housing Association had a direct lease with the Town Council and the CAB but this would result in the District Council losing overall control of the office area.
- 3.9 The rental figures in Appendix 1 for the Town Council and the CAB relate to reimbursement of capital costs. At the end of the rent period the accommodation would be provided at a peppercorn to NFDC. Rents would be significantly below market levels and take no account of the land provision by the District Council. The Town Council rental in Options A – C reflects their capital contribution to the scheme. As there is no CAB capital input, the sub-market rent would be a significant subsidy at source. In addition to the reimbursement rentals, both organisations would also be required to contribute to the running costs of the building. These are estimated at £7500 for the Town Council and £9500 for the CAB.
- 3.10 The CAB do not have significant funds to allow them to be partners in the project without subsidy from elsewhere. The figures in this report assume that Members would wish to fund 90% of the running costs of the CAB, as at present. Clearly, however, the residual 10% element would result in an increase in costs for the CAB, which would be an additional burden on their limited resources.
- 3.11 In summary the financial implications of the four options are as follows:-

	<b>OPTION A</b> <b>£</b>	<b>OPTION B</b> <b>£</b>	<b>OPTION C</b> <b>£</b>	<b>OPTION D</b> <b>£</b>
Total Capital Resources	564,528	454,058	345,973	309,784
Total Additional Annual Running Costs	-2753	19,394	32,078	39,608
Total Running Cost Over 25 Years	-68,825	484,853	801,959	990,195
Total Capital & Revenue Cost over 25 years	495,703	938,911	1,147,932	1,299,979

- 3.12 A discounted cash flow calculation has been carried out on the four options. This shows Option A to be the most beneficial over the 25 year period. However, as this option would require additional capital input of £421,528, this needs to be balanced in the expenditure plans against the total level of capital resources required.
- 3.13 Members should note that all costs are provisional, subject to final agreement from the Housing Corporation, tenders and confirmation of accounting treatment by the District Auditor.
- 3.14 Discussions are underway with other potential funding providers, including Hampshire County Council and the National Association of Citizens Advice Bureaux. At this stage it is not certain whether any additional funding will be available. Any savings occurring as a result of contributions will be reported to Members.

#### **4. IMPLEMENTATION**

- 4.1 Should Members agree to progress the project it is envisaged that development would commence in the early of 2002, completing in early 2003.

#### **5. CONSULTATIONS WITH MEMBERS**

- 5.1 The Portfolio Holders for Housing/Corporate Finance.....

#### **6. EMPLOYEE SIDE COMMENTS**

- 6.1 The Employee Side are pleased that some progress is being made with the provision of the new facility.
- 6.2 This would provide a better working environment for the employees than are presently enjoyed. The issue of lone-working at this location has been a major concern, which it is hoped will be addressed as soon as possible – and anyway prior to the new information office being built.

#### **7. ENVIRONMENTAL IMPLICATIONS**

- 7.1 It is not considered that the proposal has any overriding adverse environmental implications. Planning Development Control Committee have resolved to grant planning permission for the proposal.

## **8. CRIME AND DISORDER IMPLICATIONS**

- 8.1 Use of the new facility will increase footfall and improve natural surveillance of the car park.

## **9. CONCLUSIONS**

- 9.1 The District Council has been searching for suitable office accommodation in New Milton for a considerable length of time. The CAB and New Milton Town Council are also in need of new office accommodation. There is a considerable need for affordable housing in New Milton.
- 9.2 The search for alternative solutions has established that there are no alternative premises available at present within the town centre, which meet the current requirements. The acquisition of an alternative site within the town would increase cost over those already reported.
- 9.3 The proposed scheme would improve the Council's local presence in New Milton would provide the Council with a number of other key benefits, including:
- a) enhancing the quality and range of services provided by the local information office
  - b) providing much needed accommodation for households on the Council's Housing Register
  - c) working more closely with partners such as the CAB and New Milton Town Council
  - d) the potential to provide a local presence for other service providers such as Hampshire County Council and the Police.
  - e) using information and communication technology, to underpin customer services.
  - f) providing improved office accommodation for visiting officers and Members.
- 9.4 Members have agreed to the principle of the proposal, the disposal of land and the granting of planning permission. The financial matters do, however, remain to be agreed.
- 9.5 The continued presence of the CAB in New Milton is dependant on District Council support. Furthermore, their existing accommodation in Stannington bungalow must be demolished to make way for the new local information office. Hence, should the CAB not be able to occupy the new premises it will be necessary to find alternative provision elsewhere. There is limited availability of suitable premises elsewhere, particularly bearing in mind that the proposed development would

provide office accommodation at sub-market rental levels. The provision of CAB offices on an alternative site would undermine the aim of providing a one-stop shop for local services on one site, and would compromise the quality of local service delivery.

- 9.7 The most financially beneficial option would require the Authority to allocate additional capital funding of £421,528 but would generate annual revenue savings of £2753. The option to be pursued needs to be considered alongside the overall capital programme.
- 9.8 It will not be possible to be certain regarding the final scheme costs until the decision of the Housing Corporation is known and tenders have be returned. Should Members agree to progress the proposal an update will be provided when further information is available.

## 10. RECOMMENDATIONS

### It is recommended that:-

- i) Members approve the scheme at a gross capital cost of £684,528 but that the Director of Finance continues to investigate the most favourable financing options.

### Further Information

#### Housing Issues

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#### Local Information Office Issues

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##### **Scheme Costs:**

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### Background Papers:

None

**Land Ownership/Rental Issues**

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**Financial Implications**

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