



ADUR & WORTHING  
COUNCILS

22 March 2021

<b>Joint Strategic Committee</b>	
<b>Date:</b>	<b>30 March 2021</b>
<b>Time:</b>	<b>6.30 pm</b>
<b>Venue:</b>	<b>Remote Meeting via Zoom</b>

**Committee Membership:**

**Adur District Council:** Councillors; Neil Parkin (Adur Leader), Angus Dunn (Adur Deputy Leader), Carson Albury, Brian Boggis, Emma Evans, David Simmons and Kevin Boram

**Worthing Borough Council:** Councillors; Daniel Humphreys (Worthing Leader), Kevin Jenkins (Worthing Deputy Leader), Edward Crouch, Heather Mercer, Elizabeth Sparkes and Val Turner

**Agenda**

**Part A**

**1. Declarations of Interests**

Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.

If in doubt contact the Legal or Democratic Services representative for this meeting.

**2. Minutes**

To approve the minutes of the Joint Strategic Committee meeting held on 2 March 2021, the Adur Executive meeting held on 2 February 2021 and the Worthing Executive meeting held on 1 February 2021, copies of which have been previously circulated.

### **3. Public Question Time**

To receive any questions from members of the public.

Questions should be submitted by noon on Friday 26 March 2021 to Democratic Services, [democratic.services@adur-worthing.gov.uk](mailto:democratic.services@adur-worthing.gov.uk)

*(Note: Public Question Time will operate for a maximum of 30 minutes)*

### **4. Items Raised under Urgency Provisions**

To consider any items the Chairman of the meeting considers to be urgent.

### **5. Delivering Pathways to Affordable Homes (Pages 1 - 22)**

To consider a report from the Director for Communities, a copy is attached as item 5.

### **6. Enabling and encouraging an Active Adur and Worthing (Pages 23 - 34)**

To consider a report from the Director for Communities, a copy is attached as item 6.

### **7. Strategic Property Investment Fund 2021 - Annual Commercial Property Investment Strategy 2021/22 (Pages 35 - 80)**

To consider a report from the Director for the Economy, a copy is attached as item 7.

### **8. Council Tax Support Scheme - Additional discretionary discounts (Pages 81 - 86)**

To consider a report from the Director for Digital, Sustainability & Resources, a copy is attached as item 8.

### **9. Supporting our Communities to Thrive: The Southwick Estate, Whiterock Place (Pages 87 - 98)**

To consider a report from the Director for Communities and the Director for the Economy, a copy is attached as item 9.

### **10. Use of s106 Funding to Undertake Essential Repairs to Southwick Football Ground (Pages 99 - 106)**

To consider a report from the Director for the Economy, a copy is attached as item 10.

### **11. Delivery of Worthing Integrated Care Centre and MSCP on Worthing Town Hall Car Park (Pages 107 - 120)**

To consider a report from the Director for the Economy, a copy is attached as item 11.

**12. Delivering Colonnade House Expansion (Pages 121 - 138)**

To consider a report from the Director for the Economy, a copy is attached as item 12.

**13. Exclusion of the Press and Public**

In the opinion of the Proper Officer the press and public should be excluded from the meeting for consideration of items 14 and 15. Therefore the meeting is asked to consider passing the following resolution:

'that under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting from the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the paragraph of Part 1 and Part 3 of Schedule 12A to the Act indicated against the item'

**Part B - Not for Publication – Exempt Information Reports**

**14. Supporting our Communities to Thrive: The Southwick Estate, Whiterock Place - Exempt Appendix (Pages 139 - 140)**

To consider an exempt appendix in relation to Item 9.

**15. Delivery of Worthing Integrated Care Centre and MSCP on Worthing Town Hall Car Park - Exempt Appendix (Pages 141 - 174)**

To consider an exempt appendix in relation to Item 11.

**Recording of this meeting**

The Council will be live streaming the meeting, including public question time. A recording will be available on the Council's website as soon as practicable after the meeting. The Council will not be recording any discussions in Part B of the agenda (where the press and public have been excluded).

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Neil Terry Democratic Services Lead 01903 221073 neil.terry@adur-worthing.gov.uk	Andrew Mathias Senior Solicitor 01903 221032 andrew.mathias@adur-worthing.gov.uk

**Duration of the Meeting:** Four hours after the commencement of the meeting the Chairperson will adjourn the meeting to consider if it wishes to continue. A vote will be taken and a simple majority in favour will be necessary for the meeting to continue.

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ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30th March 2021  
Agenda Item 5

Key Decision No

Ward(s) Affected: All

## Delivering Pathways to Affordable Homes

### Report by the Director for Communities

#### Executive Summary

##### 1. Purpose

- 1.1. This report follows the publication of the Adur and Worthing Housing Strategy for 2020-2023 'Enabling communities to thrive in their own home'.
- 1.2. The aim of this report is to introduce how Adur and Worthing intend to meet the commitments of the Housing Strategy and increase supply of affordable housing in the area. This is described in the attached housing development strategy, titled Developing Pathways to affordable homes.
- 1.3. In this strategy the Councils describe their ambitions to deliver more high quality affordable homes in a post pandemic world.
- 1.4. As a delivery plan it will run for 4 years and will help inform the next iteration of the housing strategy due in 2023/24.
- 1.5. The Councils' ambition reflects the platform's strategy which means this is about more than simply building houses, the delivery of homes should help communities thrive, further work on sustainability and deliver new skills and local jobs as we adopt modern methods of construction.

## **2. Recommendations**

- 2.1.** To consider the 'Developing Pathways to Affordable Homes' report and recommend its adoption to Adur District Council and Worthing Borough Council as part of the Housing Strategy for 2020-2023.
  
- 2.2.** To direct officers to prepare the more detailed delivery plans for each Council as outlined in the Pathways document.

## **3. Context**

- 3.1.** According to a recent report published by the National Housing Federation (NHF), more than 8 million people in England (approximately 1 in 7) are living in unaffordable, insecure or unsuitable homes<sup>1</sup>. It is widely accepted that the current rate of building of new homes is insufficient to meet demand and that affordable housing delivery needs to be increased.
  
- 3.2.** This strategy builds on the foundation of the recently published housing strategy 2020-2023, the central concept of which is for everyone to have a place they can call home, whether it is owned, shared or rented.
  
- 3.3.** Local housing needs are discussed in detail in chapter 3 of the Housing Strategy but the overarching message is that there is pressure to deliver more affordable and sustainable housing.
  
- 3.4.** Chapter 4 of the Housing Strategy provides details of the 3 priorities that Adur and Worthing Councils intend to pursue. Priority 3 'improving levels of affordable housing supply' recognises the fact that access to affordable and suitable housing is important in ensuring that a balanced population profile is maintained across Adur and Worthing.

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<sup>1</sup> The National Housing Federation represents housing associations in England, not-for-profit landlords to more than six million people. The research was carried out by Herriot-Watt University on behalf of the National Housing Federation

- 3.5. The Housing strategy and Platforms for Places: Going Further 2020-2022 make it clear that good affordable homes matter. Giving individuals and families stability while supporting the creation of strong vibrant communities who invest in their local area is an important ambition
- 3.6. In order to meet some of the challenges above the Council's have already started to intervene where necessary. The recent creation of the Major Projects and Investment team, including an in-house development team, has brought real energy and impetus to key projects which had previously stalled. This includes developing some of the first council housing in Adur for more than 30 years. Further innovative ideas are also delivering results with the Councils' Opening Doors project having saved more than £200k in Temporary Accommodation costs through working directly with landlords.
- 3.7. By working with delivery partners the Council's have also looked to deliver new and existing major sites. Sites such as Union Place, Fulbeck Avenue, the Civic Centre and Teville Gate will separately deliver 150+ homes, many of which will be affordable. These sites are all being delivered closely with delivery partners.
- 3.8. The Pathways to Affordable Homes document sets out how this strong foundation can be built on to deliver more much needed homes across Adur and Worthing.

#### **4. Issues for consideration**

- 4.1. The Councils' pathways to affordable housing document outlines a number of key issues faced in Adur and Worthing, namely;
- Access and availability of traditional affordable housing
  - Emergency/Temporary Accommodation costs
  - Affordability of housing
  - Ensuring the long term housing mix is fit for purpose
  - Older persons housing and ensuring it is fit for the future

- 4.2. There is a need to address gaps with respect to social and affordable housing in the context of both rent and purchase and the strategy appended to this report outlines our plans to do this.
- 4.3. Covid has brought new pressures to bear on our housing system and this will need to be addressed as part of the delivery of affordable housing.

## 5. Engagement and Communication

- 5.1. This strategy has been developed through engagement with executive members.
- 5.2. The delivery strategies that will now be developed for each Council will need to support extensive ward member and resident engagement. This will be based around the community mapping work that has been commissioned following the recent JSC report 'Building our data capability'.

## 6. Financial Implications

- 6.1. The Council already has significant budgets within the capital programme to support the delivery of this strategy both directly through the provision of affordable housing in the HRA, improved emergency and temporary accommodation via the General Fund, and through enabling provision by Registered Social Landlords via housing grant.

	Approved budgets					Total
	Spend to 31/3/2020	2020/21	2021/22	2022/23	2023/24	
<b>Adur District Council</b>	£'000	£'000	£'000	£'000	£'000	£'000
HRA						0
Cecil Norris House	1,202	2,723				3,925
Albion Street	1,160	3,037	7,994			12,191
Hidden Homes	102	173	2,000	13,395		15,670
Other	0	383	750			1,133
<b>Total HRA programme</b>	<b>2,464</b>	<b>6,316</b>	<b>10,744</b>	<b>13,395</b>	<b>0</b>	<b>32,919</b>



General Fund						
Temporary and Emergency Accommodation						
Albion Street refurbishment		930				930
Other Schemes		1,000	2,240	1,000		4,240
Grants to RSLs		720	2,070			2,790
<b>Total General Fund programme</b>		<b>0</b>	<b>2,650</b>	<b>4,310</b>	<b>1,000</b>	<b>0</b>
<b>Total Adur District Council Programme</b>		<b>2,464</b>	<b>8,966</b>	<b>15,054</b>	<b>14,395</b>	<b>0</b>

#### **Worthing Borough Council - General Fund**

Temporary and Emergency Accommodation						
Rowlands Road		1,842	1,969			3,811
Downview		2,812	1,588			4,400
Other Schemes				1,540	2,000	2,000
Grants to RSLs				1,832		1,832
<b>Total Worthing Borough Council programme</b>		<b>4,654</b>	<b>3,557</b>	<b>3,372</b>	<b>2,000</b>	<b>2,000</b>
						<b>15,583</b>

- 6.2. New schemes proposed will be the subject of detailed business cases to ensure that the options recommended both deliver on the strategy and are affordable to the individual Councils.

## **7. Legal Implications**

- 7.1. Under Section 111 of The Local Government Act 1972 the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 7.2. Section 1 of The Local Government (Contracts) Act 1997 confers power on the Local Authority to enter into a contract for the provision of making available of assets or services for the purposes of, or in connection with the discharge of the function by the Local Authority.
- 7.3. Section 123 of the Local Government Act 1972 places an obligation on local authorities to dispose of land for best consideration, which is not limited to the monetary purchase price, but may include other elements

in the transaction, provided those have a quantifiable commercial or monetary value.

## **Background Papers**

- Delivering pathways to Affordable Homes: Developing high quality affordable housing in Adur and Worthing in a post pandemic world
- Adur and Worthing Councils Housing Strategy 2020-2023: 'Enabling communities to thrive in their own home'
- Platforms for Places: Going Further 2020-2022

### **Officer Contact Details:-**

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## **Sustainability & Risk Assessment**

### **1. Economic**

The outcome of this report is intended to have a positive impact on the delivery of homes, jobs and local communities. The Strategy aims to provide more affordable homes across the housing market. A stable place to live enables people to participate economically in the community as they can apply for and hold down regular work.

### **2. Social**

#### **2.1 Social Value**

This Strategy promotes thriving communities where families and individuals are not at risk of homelessness, can settle and be part of the local community.

#### **2.2 Equality Issues**

Together with the Housing Strategy this strategy aims to provide affordable and long-term accommodation for those who need it, irrespective of race, gender, sexuality, age, religion or belief, disability, marital status, pregnancy or maternity.

#### **2.3 Community Safety Issues (Section 17)**

This will be dependent on individual schemes that are proposed but it is envisaged that Improving access to homes and supporting people to be part of their communities will help reduce anti-social behaviour.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified

### **3. Environmental**

The Strategy supports the United Nations 2030 Agenda for Sustainable Development, through our commitments to help those in poverty and prevent homelessness, to promote health and wellbeing and to ensure our developments are sustainable by design where possible.

### **4. Governance**

This strategy mirrors and extends the ambitions set out in the Housing Strategy and Platforms for our Places: Going Further.

The Strategy will be monitored with regular updates to members on progress along with separate delivery strategies for Adur and Worthing



# Delivering pathways to Affordable Homes: Developing high quality affordable housing in Adur and Worthing in a post pandemic world

## Introduction

Building on the foundation of Adur and Worthing Councils Housing Strategy 2020-2023: 'Enabling communities to thrive in their own home', this strategy sets out the ambitions of the Councils to deliver more high quality affordable homes in a post pandemic world. As a delivery plan it will run for 4 years and will help inform the next iteration of the housing strategy due in 2023/24. Our ambition reflects our platform's strategy which means this is about more than simply building houses, the delivery of homes should help our communities thrive, further our work on sustainability and deliver new skills and local jobs as we adopt modern methods of construction.

Adur and Worthing Councils, while working together are distinctly different places and communities. In both areas however there is a clear need for housing as described below:

- Worthing Borough Council's recently published draft local plan reiterates the immediate need for all forms of affordable housing (both private and rented) with the plan citing over 1,200 households on the Housing Register and average house prices over 11 times median earnings, putting home ownership beyond the reach of many households.
- Adur District Council's Local Plan (published in 2017) echoes that of the Worthing with the Housing Need Assessment concluding that the scale of affordable housing need was 'substantial'. There are 756 households currently on the Housing Register.
- One significant similarity between Adur and Worthing is the lack of available land for significant levels of development. The sea to the south, the South Downs National Park to the north and narrow and sensitive gaps between settlements act as a constraint to growth in both authority areas. As a consequence, the identified housing needs (using the Standard Methodology) for both Adur and Worthing will not be met. This has been accepted within the adopted Adur Local Plan. The Worthing Local Plan, which is nearing Submission, whilst taking a very positive approach to development, will only deliver 26% of overall housing needs. As a consequence it is vital that land that is available for development is used efficiently and that any opportunities to help meet affordable housing needs are maximised.

To help meet the need, this strategy intends to deliver a combined total of 1,400 affordable homes by 2025, a minimum of 250 of which will be directly commissioned by the Council.

As a stock owning Council with a need and ambition to regenerate its existing stock, Adur District Council (ADC) will self deliver a minimum of 200 homes and help enable the delivery of 750 affordable homes by others.

Whilst Worthing Borough Council (WBC) is not a traditional stock owning Council, it does have a need to increase its number of temporary accommodation units, as such will look to self deliver a minimum of 50 new homes. A key part of WBC's delivery strategy will be to partner with and enable the delivery of major sites with a view to delivering 400 new affordable homes.

The above will be achieved through direct delivery of council owned sites, continuing to and expanding our support for developers and local housing providers in the provision of new affordable homes and partnering where there is the opportunity to be more ambitious with respect to both scale and the unlocking difficult sites.

Our goal throughout this work is to provide a more diverse affordable tenure type for the local housing market with an emphasis on creating multiple routes to home ownership, from shared ownership through to rent to save schemes. In addition to a focus on home ownership we will also be developing our relationship with the private rental sector through the scaling of our Opening Doors scheme to make it easier for a wider range of people to access secure and affordable rental accommodation.

In acknowledgment of the fact that the pandemic is likely to have fundamentally changed the way we live and work this strategy also sets out an ambition to undertake a more detailed community mapping exercise to better understand our communities future needs in terms of the spaces where they live and work. The outcome of which will inform the design of new homes, amenities and spaces that are fit for the future.

This strategy is the first step in the journey with the more detailed delivery approach for each Council to follow. It is intended to be a basis for discussions with potential partners and help us shape the more detailed delivery plans that will be developed for each Council.

## 1. Our ambition:

Our ambition for this strategy builds on the foundation of the housing strategy 2020-2023<sup>1</sup>, the central concept of which is for everyone to have a place they can call home, whether it is owned, shared or rented.

A home is more than simply secure and well designed accommodation, it's a fundamental human need and something that underpins not only the well being of residents and their families but also the communities that they are part of. Our ambition is to ensure that all residents have access to the homes they need in order to thrive. To do this we need to turn affordable housing targets into an effective delivery pipeline of new homes.

According to a recent report published by the National Housing Federation (NHF), more than 8 million people in England (approximately 1 in 7) are living in unaffordable, insecure or unsuitable homes<sup>2</sup>. It is widely accepted that the current rate of building of new homes is insufficient to meet demand and that affordable housing delivery needs to be increased. Local housing needs are discussed in detail in chapter 3

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<sup>1</sup> Housing Strategy 2020-2023 - Enabling Communities to Thrive in their own homes

<sup>2</sup> The National Housing Federation represents housing associations in England, not-for-profit landlords to more than six million people. The research was carried out by Herriot-Watt University on behalf of the National Housing Federation

of the Housing Strategy but the overarching message is that there is desperate pressure to deliver affordable and sustainable housing.

The availability of affordable housing has, until recent years, been reliant upon affordable housing obligations in planning agreements between Local Planning Authorities and Developers together with delivery by Registered Social Landlords (Housing Associations) and bespoke housing charities. More recently Local Authorities have started their own house building programmes with now over two thirds reportedly self-delivering affordable housing<sup>3</sup>.

Affordability is not as simple to define as it should be. National formulas affecting local finances mean that there is considerable difference between the government definition of affordable and what is truly accessible to the majority of Adur and Worthing residents. This situation will be compounded by the impact of the Covid-19 Pandemic and the economic recovery. This strategy is designed around the idea of creating pathways to bridge the gap between market sale, affordable and social housing in order to provide all households with a route to their own home should they choose or if not to a secure and an affordable rental property in the private or social sector.

Adur and Worthing are not 'land rich' and are constrained by geography. This constraint needs to be turned into an opportunity to build a flexible and adaptive delivery approach which will allow the councils to make the most of the space available. This strategy will therefore provide details of how Adur and Worthing Councils intend to meet the local housing need through a mixed approach to delivery including:

- Direct delivery of new homes by Adur and Worthing Councils
- Facilitating developers and local housing providers in the provision of new affordable homes
- Partnering, which we discuss later in the strategy, to unlock access to affordable options such as shared ownership in order to widen the pool of affordable housing available

The delivery of new homes will be based on the following objectives which were articulated in the housing strategy:

- ☐ Utilise the Council's land and housing stock for self-delivery
- ☐ Purchase sites for development where appropriate
- ☐ Work with strategic partners to unlock and maximise affordable housing delivery across the Councils
- ☐ Create places for people to live and thrive in

There is a need to address gaps with respect to social and affordable housing in the context of both rent and purchase and this strategy outlines our plans to do this.

While the focus of this strategy is about the creation of a greater number of affordable homes we have choices about how we do that. In this strategy we outline how our approach will also support two of our other platforms of sustainability and economy as well as delivering on the objectives we set out in the housing strategy around creating secure and safe homes which are essential to enabling our communities to thrive.

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<sup>3</sup> Housebuilding by Local Authorities (LGA, 2018)

## Strategic Context

This document is being developed against the backdrop of the government's white paper, "Planning for the Future", which proposes major overhaul to the planning system and other government key plans to increase delivery of affordable housing.

The First Homes Scheme, which applies a 30% discount to market sale prices for first-time buyers, will take up a minimum of 25% of all affordable housing units secured through developer contributions under Section 106. Though this has the potential to increase the number of affordable homes available to buy, it will impact on the funds available to deliver affordable rented accommodation that is key to reducing homelessness and supporting disadvantaged households.

It is critical that affordable housing, once promised, is delivered on by developers. To help ensure this the Councils will look to create a new post for a 'Homes and Communities Enabling Officer' (HCEO). The HCEO will look to support the Councils ambitions to build better and more creative relationships with key delivery stakeholders and to ensure feedback from the local community is taken into account.

S106 contributions represent a key source of funding to deliver affordable homes for both stock holding and non-stock holding local authorities. Proposed changes will see both the current regimes of Section 106 and Community Infrastructure Levy (CIL) payments removed and replaced with a new 'Infrastructure Levy'. This levy will be charged according to the final development value of the project and paid at the point of occupation. Though the new levy can still be used to fund affordable housing, discounts applied to affordable homes such as First Homes Scheme will be charged against the sum of the levy. There is a risk that these changes may reduce the funds available to deliver affordable rented accommodation and funding required to deliver infrastructures needed to support the developments.

In an attempt to bring small and medium-sized builders into the picture, the government has proposed a five-fold increase in the affordable housing threshold on smaller sites. Supporting these groups could provide needed support to some local developers and provide employment and training opportunities to local people at a time when the impact of the COVID-19 pandemic is predicted to negatively impact on the economy.

Adur and Worthing's ambition to deliver affordable housing cuts across every platform in Platforms for our Places, especially Platform 2 (Thriving People and Communities) and Platform 3 (Tackling Climate Change and Supporting Our Natural Environment). Improving the levels of affordable housing supply is a key part of our Housing Strategy (Priority 3).

It is not just about affordability; we want to promote development which provides for community interaction and which is sustainable by design. Having a secure and safe home, not just a place to sleep, is one of the most important factors in enabling our communities to thrive. We want to deliver affordable homes which enables communities to flourish and prosper and also enables communities to build their connections, resilience and capability. As local authorities bounded by the South Downs in the North and the English Channel in the South, land is limited in Adur and Worthing. This requires that we rethink our land use, planning and development ideas and explore the use of Modern Methods of Construction in delivering affordable homes so that we can achieve the right balance between development and environmental sustainability. Our affordable homes delivery will complement our plans around energy use, water, biodiversity, waste reduction, transport, climate adaptation and resilience, food and land use.



## Not Just Houses

Our aspiration is to knit together our ambition with respect to housing with other major platform commitments around jobs and around our environment. These two areas of focus have the complimentary benefits of creating the conditions for job creation at the same time as growing local application for more sustainable building practices. As a first step we will be looking at locations to place trial schemes so that we can better understand how these new construction methods work in place.

### Creating jobs and economic growth:

Modern Methods of Construction (MMC)<sup>4</sup> is a wide term which embraces a range of offsite manufacturing and onsite techniques that provide alternatives to traditional house building and includes methods such as Modular Housing, Cross Laminated Timber, Structural Insulated Panels (SIPs), and PassivHouse design.

With a growing trend towards Modern Methods of Construction (MMC) and offsite build practices within the construction industry there is an opportunity for Adur and Worthing to step into this sphere either directly through their use in the delivery programme or through encouraging inward investment to the area in terms of job creation for the area.

Either by priming the market through self delivery or encouraging inward investment into the area and attracting MMC providers the intention is to drive job creation and upskilling in this growth market both in terms of local labour working with MMC providers and through the wider supply chain.

### Delivering sustainable homes:

Similarly in terms of sustainability, the Councils are committed to reducing its carbon output across its stock and property holdings, key to achieving this will be ensuring that there is capacity and knowledge in the local supply chain for delivering sustainable solutions for new homes. As such the Councils will look to encourage innovation and delivery of sustainable solutions as part of its delivery programme. This drive towards emerging sustainable solutions, such as air source/ground source heat pumps or high efficiency insulation products, is intended to help upskill the existing supply chain whilst providing the foundation for modern skills required to deliver the United Kingdom's net zero target by 2050.

As part of this work, and the local skillset we will be developing, we will work closely with the sustainability team to maximize what is possible with respect to the retrofitting and sustainability of existing homes.

## 2. Creating the space for our communities to Thrive: Building around place:

The ambition for both Adur and Worthing is to create the space and support for thriving communities. This means our approach from the start needs to have a strong connection to the communities which are already present and active in our places. In a post-pandemic world it's important to recognise what we have learned in this period and make sure that connection to green spaces is designed into our housing

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<sup>4</sup> <https://www.nhbcfoundation.org/wp-content/uploads/2018/11/NF82.pdf>

development work. Houses need to be developed as homes. embedded in communities which have access to green space and the social and civic amenities which help communities thrive.

Creating sustainable communities improves quality of life. Our approach to housing development needs to consider how we can create community and homes that will catalyse better economic, social and health outcomes for households and neighbourhoods already disadvantaged through inequalities and lack of opportunities. A simple example of this is how we might better connect our Parks and open spaces to the design and development of our housing. We know from the Covid-19 pandemic how vital access to green space is to mental and physical health and our approach to development should reflect this and maximize the connections between our parks, green spaces and communities.

Part of this work will be developing the already active civic infrastructure that sits around our parks and green spaces to make sure that everyone feels a connection to an outside space. Other aspects of this work will be developing the community infrastructure that was uncovered during the pandemic and which was referenced in the [‘And Then’](#) document. This work is a major element of the Thrive platform and the ambition to create connected and vibrant communities.

The starting point for a more community led housing approach is the community mapping exercise which is being undertaken by the communities directorate in order to get an up to date understanding of the places which make up Adur and Worthing. This exercise will provide the roadmap for the community conversations needed to understand local ambitions not just for affordable housing but for the facilities which go alongside housing to support a vibrant and thriving community. It will also provide the starting point for a conversation with communities around ownership and the potential for community led housing development via vehicles such as community land trusts which can form an important strategic element of community development.

2020 was the year that we all stayed at home - and in doing so we grew to appreciate what we want and need on our doorstep. We will use the community mapping work to tap into this new knowledge so that we can work with communities to fill in gaps and secure newly valued assets such as green spaces or even just making sure that there is a cafe within walking distance. This is not to pursue a strategy of giving every community the same thing - this is a plan to work with communities and their unique characteristics.

This idea of making sure communities have what they need within walking distances is part of a growing global movement that looks at economic, social and sustainable aspects of neighbourhoods as each being of equal importance. The ability to be close to and part of thriving neighbourhoods is key to continuing to lead a healthy and active life.

Concepts like the ‘15 minute city’<sup>5</sup> or ‘20 minute suburb’ shows an approach to community development that reflects what has been learned during the pandemic and provides a useful starting point as we start to develop a delivery plan. The 15 minute city is based on the premise that quality of life can be improved by creating areas where everything a resident needs can be reached within 15 minutes either by foot or bike. The concept requires minimal travel among housing, offices, restaurants, parks, hospitals and cultural venues providing a ‘hyper local’ approach to place making. This kind of thinking demands close links with

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<sup>5</sup> The 15 Minute City (C.Moreno, 2019)

partners, such as WSCC who are responsible for some of the infrastructure needed to here but also to our own active travel ambitions where we can use walking paths or local cycling routes.

We will create our own take on the 15 minute neighbourhood model which will be a tool to help communities identify what they need locally but also what kind of community they expect to be in the future. This will not be prescriptive but instead a tool to support thoughtful deliberative conversations in communities which will help shape plans going forward.

### 3. Understand our demand

Adur and Worthing Councils commissioned a Strategic Housing Market Assessment (SHMA). The SHMA, which was published in May 2020, provides information on overall housing needs over the period from 2019 to 2039.

The SHMA identifies a substantial need for additional affordable housing across both local authorities; with a total need for 309 dwellings per annum in Adur and 490 in Worthing. Just over 75% of the affordable housing need in Adur is for rented affordable homes, and 85% in Worthing. The analysis suggests that rented affordable housing should be prioritised, and within this provision of homes at social rent levels which are affordable to those on lower incomes (including lower income working households).

The SHMA shows a clear need from households who require support to access home ownership and recommends support for affordable home ownership schemes with shared ownership homes being the most appropriate affordable home ownership product.

The analysis in the SHMA indicated a notable growth in the population of older persons aged 65+ in Adur and Worthing, with many older people continuing to live in mainstream housing with some older households requiring specialist accommodation.

While the SHMA provides a useful high level overview of housing demand across the Councils the next phase of this work is to model this in more detail to understand and forecast our housing need at a more local level over the coming 5-10 years. It also means getting a greater understanding of the profile of renters and homeowners and what their aspirations/needs may be.

The current demand data for the Councils is below:

#### Adur Housing Register

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	5+ Bedrooms
<b>Band A</b>	66	23	2	1	1
<b>Band B</b>	10	10	6	7	0
<b>Band C</b>	181	154	91	6	1
<b>Band D</b>	58	91	44	4	0

## Worthing Housing Register

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	5+ Bedrooms
<b>Band A</b>	52	18	6	1	0
<b>Band B</b>	32	19	13	6	0
<b>Band C</b>	420	216	177	22	0
<b>Band D</b>	180	199	72	6	1

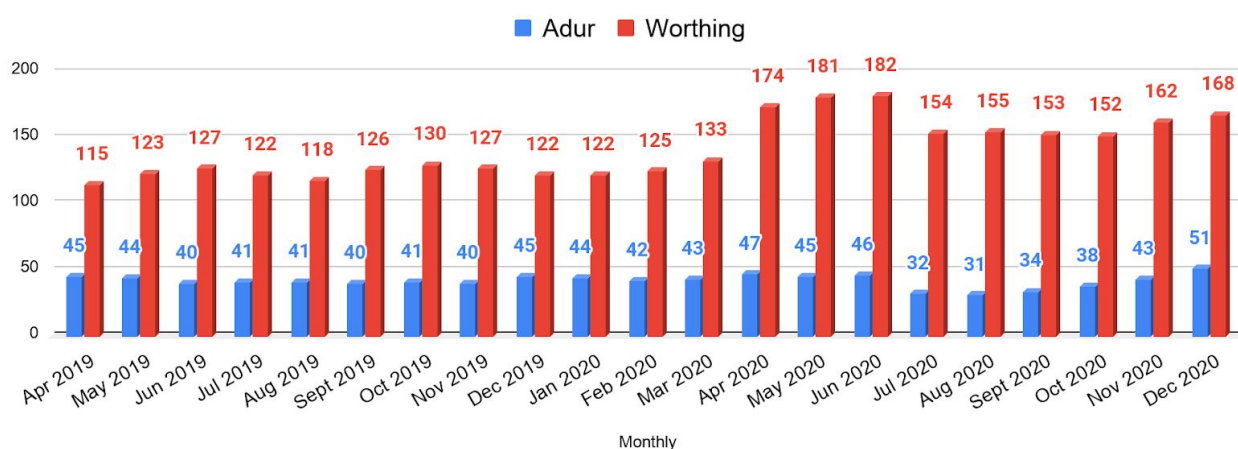
However these figures do not reflect the shift in demand we are starting to see as a result of the economic impact of the Covid-19 pandemic which, based on data that was modelled and presented in the February JSC paper 'Understanding the impact of Covid-19 on vulnerable residents', will mean the councils should expect to see considerable upswing in demand which is already starting to be the case at time of writing.

## Temporary accommodation and homelessness presentations

Providing affordable housing is a critical part of preventing homeless. Homelessness is increasing across the country. Adur and Worthing is no exception. Since 2017, placement in emergency accommodation (EA) and temporary accommodation (TA) has been increasing at a net average of 3 per month. This data does not include COVID-19 placements, which has increased the net placement even higher. Sufficient suitable permanent accommodation is required to prevent homeless households from going into EA in the first place, and also increase the number of households moving out of TA once they are placed.

We have seen a significant shift in the pattern and nature of TA needs as a result of the Everyone In work of the pandemic. The reduction in street homelessness locally has been dramatic and while we are yet to see if this is a change that can be sustained it nevertheless is changing how we think about and design for temporary accommodation needs.

### Number of Households in TA by Month



## Scaling opening doors

The Councils co-designed the Opening Doors Scheme with private sector landlords to ensure more households in emergency and temporary accommodation or households at risk of homeless can have more access to affordable accommodation in the private rented sector. The Councils share the risk of renting to a household they refer with the landlord for a two-year period. At the end of the period, the landlord continues with the tenancy, without any further involvement from the Council, having experienced that the household is a good and reliable tenant (float off).

To date 56 households have benefited from the scheme. 6 households have been successfully floated and 46 households are currently on the scheme. The total arrears since the scheme began is £5,976 across 5 tenancies and the households involved have been supported to clear these arrears.

At the lowest average nightly cost we have achieved (£36 per night per household), the gross cost of accommodating the 41 households in temporary accommodation for 6 months is £389,424 and the net cost is £194,712 assuming no loss in rental income.

There are two main benefits to scaling opening doors, firstly our ability to increase the accessibility of private rental supply for residents who need affordable options but secondly to reduce pressure on TA budgets by ensuring fewer people need to use that service.

The more detailed delivery plans will outline the potential impacts for Adur and Worthing budgets of changes such as:

- Continuing to grow the number of landlords who are participating in the scheme
- Using opening doors as a proactive measure when people come to the councils with concerns about the security of their housing situation

There is potential for Opening Doors to become the brand and vehicle that we use to secure affordable rental properties for both Adur and Worthing. This will be considered as part of the more detailed work to be done on delivery options.

## 4. Delivering pathways to homes

Housing supply also needs to be seen as a system where the flow of people through different types of accommodation is as important as the in the moment supply. In order to do this we need to:

- Have a longer term view of the kinds of properties residents will need at different life stages
- Pay attention to how we help people move between those different property types as they need to

This might include supporting people to get onto the housing ladder, or helping young families move into larger properties as their families grow. To enable this with the fixed amount of capacity in the system we also need to create appealing opportunities, perhaps in town centres, for people to downsize when their families have left home, or create opportunities for schemes such as Shared Lives which help match older people with large properties with younger people who need access to accommodation.

In terms of system capacity, at present there is a delivery focus on 1 and 2 bedroom properties which meet the needs of young professionals and couples. We have to take a longer term view and look at what we expect and want our demographics to look like in 10 or 15 years time and not just build for the population we have now. This means considering social shifts such as the rise of intergenerational living, growing families creating demand for large properties and the need to accommodate a shift to higher levels of home working that has emerged from the pandemic.

The ambition of the Councils is to provide a mix of discounted rent and sale products that will provide housing choices to residents based on a diverse range of needs. The gap between market priced and affordable and social housing is significant. In 2017 average house prices in Worthing were 11.35 times median earnings which is well above the national average, this has put home ownership beyond the reach of many households<sup>6</sup>.

Worthing Borough Council has already looked to intervene in this by delivering a site with Boklok to provide discounted market sale homes based on local affordability. By targeting the delivery of a broad range of tenures within the area the Councils will enable more people to live at affordable levels and either save towards the next step in their journey or reach a point where they are in secure and good quality accommodation that they can sustain.

This will need to include not just focusing on how younger people get onto the housing ladder but also looking at how we help older residents transition into the kinds of housing that will allow them to live independently for longer and stay within their communities. This may include building more intergenerational homes where families can support each other more effectively or developing pathways that make it more attractive for older residents to downsize and make family sized accommodation available.

Supporting these transitions will require us to look at how we support people to save, enter into shared ownership but also how people can best leverage their housing investments in later life. The delivery strategies will define specific transition points for each council and will include:

- Helping people step onto the housing ladder via schemes such as shared ownership or discounted market sales
- Helping to speed up the flow of people from short term temporary housing into long term and sustainable tenancies using schemes such as affordable or discounted market rent
- Supporting young families who need more space but are struggling to afford to stay locally
- Looking at the needs of older residents as they look to 'right size' their homes

We can and must increase the supply of affordable housing but we also need to work to ensure that the housing system as a whole works and that people have access to the kind of home they need at different stages of their life. We will be looking for partners who can help us with these transitions and want to take this whole system view of our housing needs.

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<sup>6</sup> Worthing Draft Local Plan (2020)

## Different ways of living

In building communities and not just homes we need to consider the needs of all of our community. We have spoken earlier about the need for strong connections to green space to support mental and physical health but designing for wellbeing goes beyond this. For example, with an aging population it's important to consider what it means to design dementia friendly communities as well as considering a wider set of accessibility options.

Another area that needs to reflect the changing make of our local communities is with respect to intergenerational living. This could include, for example, schemes where multi-generational families could settle or designing for schemes such as shared lives where older people provide housing to younger people - often key workers - in return for non-personal care and companionship.

Supported housing is also an area for innovation as we look to design communities that can integrate care without having the ghettoise residents. This is an area where we can look to work with partners who bring the necessary expertise and support.

As we develop the pipeline we also need to consider the impact of increasing homeworking and the fact that families need space to work and study.

Finally we will continue a strategy of housing first for our most vulnerable residents and ensure a pipeline of move on accommodation that can ensure that people do not get 'stuck' in TA but instead have options to move into safe and secure housing as they access wider support.

This is an area where we will need to work closely with partners in order to design the right options for Adur and Worthing and we plan to move forward with a number of experiments and pilot schemes.

## 5. Building our pipeline:

The Councils expect to expand on the numerous schemes that have already been commissioned with a view to delivering a number of different programmes of development. These programmes will reflect the diverse needs of the Councils and its communities. Each council will have a development pipeline which reflects its unique characteristics and ambitions and is flexible enough to be responsive to market and policy changes.

Adur is a stock holding authority and as such a significant part of development will be focused on complimenting the needs of the Housing Revenue Account (HRA) and its stock. Programmes of delivery will include programmes for older persons, supported housing, stock regeneration, infill/small sites and Temporary Accommodation (TA).

Tenant moves (or decants) may form part of the solution in helping to ensure Adur's homes are fit for the future. Adur District Council will review its local lettings policy to ensure that should decants be necessary, wherever possible, people will be relocated within the local area.

Whilst Worthing does not hold stock there is still an acute need for a variety of tenure types as well as the Council's statutory obligation to provide Temporary Accommodation (TA). The development team is

currently delivering 37 homes for TA across 2 sites. These new homes will save the Council money on emergency bed and breakfast costs however increasing need as signalled by the Councils research into the impact of the end of Covid benefit measures indicate that the demand will far outstrip this and further sites will be reviewed based on need.

Delivery of new homes for Worthing Borough Council will predominantly centre on enabling new sites to come forward and actively intervening where necessary to partner with organisations to aid or accelerate delivery of new homes.

The Council is already actively progressing sites with delivery partners in Worthing and Adur. Sites such as Union Place and Fulbeck Avenue have recently received planning and will deliver 320 homes, 127 of which are intended to be affordable homes. Adur Civic Centre in Shoreham is expected to deliver 172 affordable homes in conjunction with Hyde Housing Group; while Vivid Housing Group's work on Teville Gate could lead to over 230 homes being delivered of which 130 will be affordable. Further sites have been identified and will be brought to market or delivered with suitable partners.

## 6. Developing a mixed methods delivery approach:

The Councils' primary objective is to provide affordable homes for a range of residents and their needs. Wherever possible, the Councils will seek to create new homes that are suited to those with needs which are not being met by existing housing or new builds. The Councils are also committed to doing what we can to support our communities to thrive by ensuring that developments enable communities to build their connections, resilience and capability. We also want to support our communities to influence the decisions that affect the places in which they live.

In recognition of the differing needs from Adur and Worthing and in order to maximise the Council's ability to deliver on its objectives, a mixed methods approach to delivery is set out below. At this stage the development team does not propose having targets for each type of delivery method but once the pipeline has been defined some kind of quantification will be needed in order to ensure that the team has the correct skills mix across the different methods.

### 6.1 Self-Delivery

Self-delivery describes the sites where the Councils choose to take sites from acquisition (or identification) through to the delivery of new homes. This approach suits strategic sites that can be used as exemplars or enable the Councils to move quickly on opportunities which may otherwise be acquired for commercial or non-affordable development. This approach is labour intensive however and requires a team with access to a wide mix of skills.

Building on the recent approval of a programme of sites for delivery, the development team will look to expand to accommodate the growing pipeline of schemes as described above in order to create a steady flow of delivery. Where necessary new skill sets will be either brought in-house or through a temporary basis to help upskill the existing team.



To meet the objectives of this strategy the development team will look to deliver homes through a variety of methods. The SHMA and Housing Strategy provide evidence of a broad spectrum of needs in terms of housing requirements for both Councils. This ranges from social rented through to shared ownership and outright home ownership. In recognition of this fact and to ensure maximum flexibility in terms of delivery, the Councils will investigate the possibility of broadening their offering in terms of tenure types. This flexibility in delivery will enable the Council to intervene on a wider range of sites where the market has been unable or unwilling to deliver.

Self delivery is an important part of our approach as it allows us to become the 'anchor development' in communities and unlock difficult sites as well as setting a pace for delivery that we can then use to open up opportunities for partners.

## 6.2 Delivery with others

Working in partnership with others may enable a greater number of affordable homes to be developed through the sharing of resources, knowledge and funding. Partnership, starting with shared purpose and values, will allow us to access a wider range of funding sources as well as access skills that are either difficult or expensive for us to provide for ourselves.

A recent example of this is the Council's proposed joining venture with Vivid to deliver at Teville Gate. This approach offers the opportunity to deliver at scale without growing the team exponentially or exposing the Councils to the greater financial risk of bigger developments. Potential partners might include Housing Associations, Charities, Community Land Trusts, Developers, Contractors or Capital Investors (e.g. pension funds).

As part of this process the Councils' will also explore the potential for growth in partnerships with local providers such as Worthing Homes to ensure that our existing relationships are supportive and aligned to our ambitions.

## 6.3 Funding Models and Leveraging Investment

With the Council's funding being heavily impacted through the pandemic and in order to facilitate the above the Councils intend to investigate funding models and investment opportunities which will aid the delivery of sites and enable flexibility in delivery across the two Councils.

Beyond the immediate implications of the pandemic there is the opportunity to work with like minded partners in order to better leverage different forms of investment. This may include the patient capital of institutional investors or working with providers who can access parallel streams of government funding. It may include making different use of our land holdings as well those of our public sector partners.

Our proven ability to buy and develop land, as well as to work effectively with external partners is a capacity that we will develop and grow as we develop this strategy.

## 6.4 Enabling others

Sometimes the most important things we can do as a partner is to support local delivery partners. The Councils will therefore continue to enable housing delivery through its function as Local Planning Authority (LPA) with the LPA playing a key role in setting policy guidance for delivery.

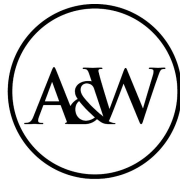
However to help guide the tenure mix based on the needs of the local community the Council will look to create a new post for a 'Homes and Communities Enabling Officer' (HCEO). The HCEO will look to support the Councils ambitions to build better and more creative relationships with key delivery stakeholders and to ensure feedback from the local community is taken into account.

This will include relationships with new and potential providers but will also look to build relationships with Community organisations - such as Community Land trusts - in order to open up opportunities for community owned build schemes.

The HCE Officer will also look to collate feedback from internal teams on current and future needs of specialist housing such as temporary accommodation, extra care, sheltered or wheelchair adaptable.

## 7. Where next

Our work on delivering affordable homes in Adur and Worthing has already started with a diverse portfolio of schemes in the pipeline or on site. This is work which will continue but our next steps will be to develop the more detailed delivery plans for each Council while exploring potential for partnerships in a range of areas.



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30 March 2021  
Agenda Item 6

Key Decision No

Ward(s) Affected: All

## **Enabling and encouraging an Active Adur and Worthing**

### **Report by the Director for Communities**

#### **Executive Summary**

##### **1. Purpose**

1.1 The purpose of this report is to provide:

- An update on the progress of the Activities Strategy
- An overview of work already happening across the Councils to enable and encourage physical activity across Adur and Worthing
- What we are experimenting with, across the Councils, to encourage people to be active

##### **2. Recommendations**

2.1 Members are asked to note the content on this report and to strategically support the approach to enabling and encouraging our place, businesses and communities to be more active.

#### **3.0 Context**

3.1 Increasing people's physical activity has a positive impact on people's health and wellbeing. Being active often connects us to nature, promotes connection with others, improves productivity and concentration, and is fun.

3.2 Health is not something that is felt equally across our communities. More recently, Covid has highlighted those inequalities and in Marmot's [Build Back Fairer](#) it provides evidence to do things differently and the importance of building health equity. Public Health England's [Understanding and addressing inequalities in physical activity](#) also helps us to understand levels of inequalities in physical activity across and within protected characteristic groups and highlights that changes are needed to reverse these.

3.3 As a District and Borough, we have an important role to play:

- As a **leader of place**, through design, encourage and enable people to easily be active
- As a **manager of green and blue spaces**, provide good quality and easy access to these spaces
- As a **leader of an organisation**, encourage and enable our workforce to be active through the working practices (eg walking meetings, activities for staff)

3.4 Through our experience of Covid, we have seen people changing their activity behaviour and we need to learn and build on this going forward.

3.5 Enabling and encouraging activity spans across the delivery of our work across the Councils. This predominantly sits as part of our health and wellbeing work, but has significant links to environment, planning, economy, development, and sustainability.

3.6 This report is an interim report which highlights some examples of what we are already doing to encourage and enable activity across Adur and Worthing. Once the Activities Strategy has been updated it will follow.

#### **4.0 Why is Activity important?**

4.1 Physical activity can improve our health and wellbeing and reduce the risk of long term health conditions. Being active has a positive impact on the immune system, it supports the cardiovascular system, reduces the risk of diabetes, has a proactive effect on mental health and emotional wellbeing and slows down cognitive decline.

4.2 As well as the benefits highlighted above, physical activity promotes social cohesion, improves productivity (both in school and work) and is enjoyable and fun.

## **5.0 An update on the progress of our Activities Strategy**

5.1 Intelligent Health has been working with us on developing an Activities Strategy, engaging key stakeholders via interviews and workshops. Through Covid there has been a delay on finalising the development of the Strategy and because of the impact that the pandemic has had on our communities and assets, the draft Strategy and recommendations are being reviewed. These will be brought to a future JSC along with other key documents that encourage activity across our communities.

## **6.0 A look at our current work**

### **6.1 Design of our Place**

6.1.1 As leaders of our place we can influence its design through the plans and policies that we approve to ensure that activity becomes the default. Here are a number of examples of plans that promote activity:

6.1.2 The [Submission Draft Worthing Local Plan](#) (SDWLP) is currently the subject of public consultation which closes on 23rd March 2021. This proposes a Strategic Policy on Healthy Communities (Policy SP3) which states that new development must be designed to achieve healthy, inclusive and safe places, which enable and support healthy lifestyles and address health and well-being needs in Worthing, as identified in the Adur & Worthing Councils' Public Health Strategy. Paragraph 2.32 of the SDWLP acknowledges the preparation of the Physical Activity Strategy.

The SDWLP also includes a policy on Open Space, Recreation & Leisure (Policy DM7) which sets out identified needs for open space, playing pitches and built facilities in order to accommodate the demands arising from future development growth.

New residential development will be required to provide on-site open space in accordance with the standards. If it is not feasible to deliver open space on site due to, for instance, the density of development proposed, then the potential to make off site provision will be considered on a case by case basis. S106 contributions towards off site provision can assist in enhancing both formal and informal open space provision.

These planning policies will encourage developers to consider people's health, wellbeing and safety when they are preparing plans for new developments across Worthing.

6.1.3 **Worthing** has also implemented a [Community Infrastructure Levy](#) (CIL) on all new developments and this enables the Council to secure financial contributions from developers to fund infrastructure and for communities to be involved in influencing their spaces.

6.1.3 **Adur** District Council adopted its [Local Plan](#) in 2017 and the commencement of its review will begin later this year. The Local Plan contains Policy 32: Open Space, Recreation & Leisure which contains standards as identified in the Open Space Study (2014). As mentioned above a new up-to-date study (2019) has been published and therefore the policy will be reviewed and updated to reflect the recommended standards.

6.1.2 The Local Walking and Cycling Plan ([LCWIP](#)) is a vision to create a place where walking and cycling becomes the preferred way of moving around Adur and Worthing. It provides a network plan for a place where people will walk and cycle in places they are attracted to and will feel safe to do so.

6.1.3 In Autumn 2020, Adur & Worthing Councils held a Climate Assembly with 43 randomly selected local residents to address the question of how collectively we could tackle climate change whilst supporting our places to thrive. Eighteen recommendations were put forward. The assembly members wanted to see low carbon transport and active, connected travel promoted, encouraged and supported.

Recommendation 13: Promote more cycling by implementing clear and safe travel routes, ensure cycle safety training for all ages and ability and ensure legislative changes are pursued to promote access e.g. through parks. This recommendation is being delivered through the Sussex-wide LCWIP group, led by WSCC, alongside the internally focussed Travel Action Plan and the community-wide Walking and Cycling Action Group.

6.1.4 Adur and Worthing Councils received funding from the Government's **Active Travel Fund** to help encourage and support local people to feel safe whilst travelling actively. The first tranche of funding led to the temporary 'pop-up' cycle lanes on the A24 in Worthing and Upper Shoreham Road in Shoreham. The 2nd tranche of funding was also awarded to Adur and Worthing (out of the whole of West Sussex) for the permanent cycle lane to be built on the A24 in Findon and for the development and public consultation around road improvements and a cycle lane in Shoreham - this consultation, led by WSCC is currently open.

6.1.5 As a manager of our open spaces, with regards to activity, we have been focusing on getting our **open air gyms** in full working order to ensure that these are

available for use and are safe. We have invested in some of our assets eg new tennis courts at Homefield Park. The kilometer (kms) marking along the seafront have been popular in encouraging people with their walking and running.

## 6.2 Active Places/Spaces

6.2.1 **Active Park** is a new initiative being delivered through the Get Active and has been established to increase the choice of activities across our parks, in response to community need.

Adur & Worthing Wellbeing programme is working in partnership with local group *Activ8* throughout the Spring, to deliver eight week courses suitable for people aged 18+ with a range of abilities in our parks . Activities include: walking sports, jogging, dance and outdoor gym sessions in the following parks: Victoria Park, Tarring , Longcroft, Homefield, Broadwater Rec, Durrington Rec, Lancing Beach Green, Sompting Rec, Monks Rec, Lancing Manor, Buckingham Park, Fishersgate Rec, Parklands Park, Shoreham Beach, Southwick Rec, Middle Road and Southwick Green.

Volunteers are being recruited who will support people's motivation to attend, and to encourage the formation of self funded activity groups which will continue beyond the life of the courses.

6.2.2 **Active Events** in public spaces have been long established as part of the outdoor events programme. This includes events such as the Worthing 10k, Parkrun and 3 Forts Challenge. Greater scope exists to bring further activity events to the calendar to enable our residents and visitors to engage in outdoor recreation.

6.2.3 The Councils created the **Donkey Bike rental scheme** in Worthing for residents and visitors to use. We are now working with Brighton & Hove City Council to extend their hugely successful **Bikeshare scheme** into Adur & Worthing by 2022 offering electric bikes as well as standard pedal cycles for enjoyment and active commuting.

## 6.3 Active People

6.3.1 A partnership project between Adur & Worthing Councils, Table Tennis England (TTE), and Worthing Ping United, established in 2019, is helping to encourage participation by young people and adults in parks and open spaces. The aims of the work are to:

- establish a long-term inclusive table-tennis scene, initially in Worthing

- increase levels of physical activity and the benefits that this brings
- tackle issues associated with loneliness and mental health problems, and
- promote healthy lifestyles to improve health and wellbeing outcomes.

Worthing Ping United, is a newly formed grassroots club which has delivered a range of activities to support community engagement and link the project with the club, to ensure sustainable outcomes are achieved.

To date, the Councils have been awarded and installed 11 table tennis tables in local parks including: Homefield, Victoria, Beach House Grounds, Kitties Field and Buckingham Park. Two indoor tables have also been provided to support Worthing Homes residents to increase tenants' activity levels.

In addition, TTE 'play at home' kits were successfully applied for, to support some of those most in need when Covid restrictions have been in force. The Councils distributed 250 kits to people on a lower income, people with Black Asian and Ethnic Minority backgrounds and people living with long term health conditions with the support of Mutual Aid Groups, Food Banks and Mencap.

As lockdown restrictions ease, further grants will be applied for to install more tables and provide further activities across parks and open spaces in Adur and Worthing.

6.3.2 The **Get Active** program was established in 2013 as part of the WSCC Public Health funded Adur & Worthing Wellbeing Programme. *Get Active* provides an evidence based approach of low level physical activity taster sessions and courses for inactive and or sedentary adults (18+) to increase their activity levels in line with public health guidelines (150 minutes of moderate intensity physical activity a week).

The courses are carefully designed and are targeted to meet the needs, wants and motivations of people who we know are likely to be at risk of greater health inequalities. These include people on a low income or who are from a more deprived background for example. eight week beginner exercise courses include opportunities to try activities such as: Learn to Run; Multi Activity, Yoga etc . All courses are linked with community and leisure centre settings, are free or low cost, and have built in sustainable pathways to aid long term behaviour change.

Since its formation, the project has built up a steady participation rate and has proved to have had a positive impact on community health and wellbeing outcomes. The program recruits approx. 150 people annually, of which approx 70% of participants are from disadvantaged groups. Approximately 80% of those who complete a course say they have increased their activity levels and have seen improvements to their overall wellbeing.

Since the pandemic, the program has changed and adapted in line with Covid 19 Guidelines. Where possible, the small group based outdoor sessions have moved



online with people linked up to use [GetActive@home](#) resources. The online sessions have been less successful than face to face sessions, with people saying they would prefer to be outdoors and/or wait until indoor group based activities can resume.

The current focus of the project is to rebuild its full program of activities which links with leisure services, community centres and parks; to ensure people can confidently build physical activity back into their lives as Covid restrictions ease, in a variety of community settings.

## 6.4 An Active Workforce

6.4.1 Adur & Worthing Councils have developed a **Travel Action Plan** with support from transport charity Sustrans, to gain a better understanding of how staff and councillors currently travel to, from and for work. This is to better understand how to encourage more sustainable means of travel such as walking, cycling, car sharing and public transport more of the time. The Travel Action Plan Working Group is delivering this plan.

6.4.2 The new draft **Staff Travel Policy** is now focussed around a Sustainable Travel Hierarchy, which helps employees select the most suitable mode of travel by:

- Avoiding travel wherever possible through use of technology such as audio and web conferencing
- Prioritising and increasing the use of active travel (walking and cycling) and public transport
- Minimising the impact of road travel through the use of low emission vehicles, car sharing and eco-driving
- Minimising the use of employee-owned vehicles through provision of low carbon managed pool cars.

6.4.3 Following the Sustainable Travel Hierarchy, using public transport for business travel is encouraged as this helps minimise the number of cars on the road, reducing congestion and pollution. It can also give people time to relax, read, socialise and there is usually an associated walk to the bus stop or train station, so includes more physical activity too than driving a car. The Councils have created EASIT Adur & Worthing, discount green travel offers to employees, benefitting 25 businesses, 25,000 employees.

6.4.4 Pre Covid and seen more through Covid, staff have been more creative in ways of meeting. When permitted and out of restrictions, there have been many more walking meetings arranged and feedback has been that this has helped creativity and staff wellbeing.

## 6.5 Promoting Activity

6.5.1 A range of both community based (eg Green Tides/community gardening) and Ranger led activities to support and encourage people to be active in our Parks, Open Spaces and Foreshore have/will be promoted.

6.5.2 The Councils' recent **Spring Forward campaign** highlighted positive things to do in Adur and Worthing, with an emphasis on improving health and wellbeing. The campaign achieved significant reach on social media across the week (114.5k total reach and a 20% engagement rate on Facebook). The resources, including the Spring Forward podcast series which promote the benefits of outdoor life in Adur and Worthing, will continue to be promoted over the coming months to highlight the Councils' wellbeing services.

## 7.0 How Covid has affected activity

7.1 Through Covid, as outlined in 3.2, inequalities in our communities have been further highlighted and we need to work towards making changes to address these by targeting appropriate activities for these groups. There's a realisation that people who were previously less active and for people to whom fewer opportunities were available would be hardest hit - highlighting equity issues.

7.2 Green spaces have been a lifeline for many people through Covid. With the restrictions around activity these open spaces have provided a place for people to enjoy their permitted activity.

7.3 Through Covid, the virtual offer has made some activity more accessible to some people who might not have previously engaged in a face-to-face session. We will need to consider what is appropriate for online offers as we move out of Covid.

7.4 There's a worry that people won't return to any activity that they have been unable to do in lockdown. This may be because of a confidence issue, they may have found alternative activities or may not be motivated to return.

7.5 Where people have changed their behaviour to being more active and particularly using the outdoors, we need to harness this behaviour change and encourage them to continue.

## 8.0 What we're working on and experimenting with

8.1 Insight gathered by Sport England has highlighted certain groups have been disproportionately affected by Covid and that it was impacting on their ability to be active. These groups included: lower socio-economic groups, Black, Asian and

Minority Ethnic communities, disabled people and people with long term health conditions. To reduce the negative impact on these groups we want to focus appropriate activities on these groups.

Locally we are exploring **equality of access** to our open spaces. We are looking at the distribution of quality open spaces to identify gaps where we can then focus services.

8.2 We include leisure uses as part of the **seasonal concession programme** - this is mostly Water Sports provision. There has been an increase in the request for outdoor fitness instructor licences.

8.3 As part of our management of open spaces, once lockdown restrictions ease and we are able to, we are planning wellbeing activities in our open spaces.

8.4 We are keen to plan heritage tours and walking trails across our open spaces. These will be free of charge covering a variety of topics/interests to encourage engagement. These will run throughout the calendar year and our Rangers will lead them.

8.5 Building on the success of marking distances along the seafront, we are planning to plot out multiple distances across our open spaces for people to run or walk around depending on their fitness levels - accommodating all levels of fitness. This will be free to access and circular in nature with fitness stations to stop at along the route.

8.8 Supporting sports clubs in a better way regarding access to good quality accessible facilities and promotion of clubs on site. Eg leases, bringing clubs together,

8.8 SLC has been commissioned by Adur and Worthing Councils to develop a clear role for leisure in helping the Councils realise their ambitions for their places and their communities and to help identify the potential role and narrative for leisure across the Councils.

## **9.0 Issues for consideration**

9.1 As highlighted in 8.0, Covid has affected how some people view and are accessing their activity. We need to learn and build on the lessons and opportunities that Covid has presented us with and build these into our delivery going forwards.

9.2 As we build back out of Covid our focus will be on really understanding what people in our communities want and need.

9.3 Over the next couple of months the Activities Strategy will be finalised and brought back to this Committee for ratification.

## **10.0 Engagement and Communication**

10.1 Engagement with our communities is key to our approach moving forward. We need to really understand data and insights from our local communities to inform how we deliver activity in the future and who we should target.

10.2 The development of the Activities Strategy to date has involved around 50 stakeholders through a series of workshops who have been key to helping us understand the current picture and where we could focus to make the most difference and increase activity levels across all our communities.

## **11.0 Financial Implications**

11.1 The cost for producing the Activities Strategy will be met from within existing resources, primarily through staff time.

## **12.0 Legal Implications**

12.1 The legal services department will be consulted on the various proposed projects in order that any legal issues can be identified and addressed at an early stage and in order to check that the Council holds the relevant statutory power or duty to implement the proposals.

### **Background Papers**

- [Local Cycling & Walking Infrastructure Plan](#)
- [Staff Travel Action Plan](#)

### **Officer Contact Details**

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## **Sustainability & Risk Assessment**

### **1. Economic**

Increasing people's physical activity will have a positive impact on the local economy. Being more active can improve productivity at work. Physical activity during the working day has been shown to improve concentration immediately and for several hours.

### **2. Social**

#### **2.1 Social Value**

Increased physical activity will have a positive impact on the lives of people in our communities. The greatest health benefits of physical activity occur in getting the inactive person a bit more active and therefore we will need to identify those that are least active in the community to see the most benefit.

#### **2.2 Equality Issues**

Reducing health inequalities means targeting our approaches towards people and communities where we can make the most difference. This approach will be key to delivering an impactful Activities Strategy.

The Councils are subject to the general equality duty set out in section 149 of the Equality Act 2010. The Council's legal duties (Equality Act 2010) will shape the development of this work, helping to ensure that our services (and interventions) are designed to meet specific needs and address areas and issues of historic disadvantage and inequality. Our adoption of the 'proportionate universalism' model forms a key part of this response where we seek to provide services for all, but targeted most at those in need.

#### **2.3 Community Safety Issues (Section 17)**

Physical activity will have a positive effect on crime and disorder and anti-social behaviour as it is often seen as a tool to address such issues.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Connecting to nature through physical activity is a key theme of the Activities Strategy and the activities that the Councils already enable and encourage. The key benefits include reducing stress, blood pressure and anxiety, increased social connections and an increased sense of purpose and belonging.

Active travel is another key theme to the Strategy - encouraging people to move about using active travel which also brings the benefit of reducing air pollution.

#### **4. Governance**

Encouraging and enabling people to be active contributes to many priorities in the Councils' Platforms for our Places - Going Further including **2.3,2.4 2.5, 3.2, 3.7.**



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30 March 2021  
Agenda Item 7

Ward(s) Affected: All

## **Strategic Property Investment Fund 2021 Annual Commercial Property Investment Strategy 2021/22**

### **Report by the Director for the Economy**

#### **Executive Summary**

Statutory guidance places a duty on Local Authorities to prepare an annual investment strategy to be approved by the full Council or equivalent, in advance of forthcoming financial years.

This report provides an update on the recent investment activities and current position of the Strategic Property Investment Fund as of January 2021. This covers:

- The current overall fund structures and completions within the current financial year to date.
- Review of impact due to the Covid-19 Pandemic and changes to the Public Works Loan Board (PWLB) funding criteria.
- Review and update of processes to support the ongoing structured and measured approach to property income generations and pro-active risk management inherent in any property investment.
- Update mechanisms to support the ongoing development of a balanced portfolio with a move from initial income generation to total return approach as the fund matures, with an increasing focus on strategic asset management and long term capital preservation and growth.
- Outline the future strategy to re-focus investment within the Council's area of functional economic activity, including seeking more opportunistic acquisitions in area where the Council can add commercial and social value to assets through repositioning, repurposing or redevelopment.

A comprehensive review has been undertaken of the current Investment Strategy. This has been updated following the fundamental shift of PWLB funding and the significant impact of the Covid-19 Pandemic. The updated version is attached to this report as an Appendix.

The primary objective of the Commercial Property Investment Strategy (CPIS) is to build a balanced portfolio generating consistent revenue for the Councils' delivery of services for the benefit of Adur and Worthing.

It is recommended that both of these reports be approved by the respective Councils as the Commercial Property Investment Strategy for 2021/2022.

## **1. Purpose**

- 1.1 To update and confirm the Councils' CPIS to support the Councils' medium term financial strategy.
- 1.2 To meet the Councils' statutory obligation to prepare an annual investment strategy to be approved in advance of the relevant financial year by Full Council (or equivalent).
- 1.3 The report will support the Councils' medium term financial strategy and seeks to renew and refresh the current investment strategy in relation to the investment funds providing details on:
  - Robust parameters to guide and support the development of an income generating property portfolio that seeks to manage and provide a financially resilient income stream for the Councils.
  - Update governance criteria to ensure diligent analysis and transparency to support the transparent decision making process, particularly where investments have a value add opportunity.

## **2. Recommendations**

- 2.1. It is recommended that the Joint Governance Committee considers the contents of this report, providing feedback and/or comments to the Joint Strategic Committee (JSC).
- 2.2. It is recommended that the Joint Strategic Committee:
  - i. Agree the suggested delivery and governance model as set out in the report which will be approved by full Council as part of the overall CPIS.
  - ii. Note that at the end of the 2020-2021 financial year an annual asset



review will be undertaken by an external consultancy for the Strategic Property Investment Fund (SPIF), with officer input, to detail specific performance of assets and potential future risks and opportunities, and updated asset plans for each individual asset moving forward. This will be reported to the JSC at its September meeting.

- iii. Approves that the average lot size be decreased from £10m - £20m to £2m - £10m.
- iv. Recommends to Adur District Council and Worthing Borough Council to adopt the Commercial Property Investment Strategy for 2021-2022.
- v. Approves that the budget for future years may be brought forward with the approval of the relevant Executive Members for Resources, following their consideration of a business case.
- vi. Approves that value add and opportunistic investments, as per section 4.3.9, 4.4.9 and 4.6.3, can be acquired and approved under the CPIS in consultation with the Executive Member for Resources considering a robust outline business and financial case.
- vii. Approves that assets which were purchased for operational, local economy and regeneration purposes, will be separated in future SPIF reporting to those purchased for investment purposes.

### **3. Report Context**

- 3.1. Due to continued reductions in Central Government grant funding, Local Authorities are increasingly reliant upon income generating models to support the delivery of Council services.
- 3.2. Over the period 2010-11 to 2019-20 the Local Authority sector experienced a 28.7% real-terms reduction in spending power (Central Government funding plus Council tax).
- 3.3. Demand in key service areas has increased, including a 14.3% increase in the estimated population of older adults in need of care between 2010-11 and 2016-17, a 33.9% increase over the same period in the number of households accepted as unintentionally homeless and in priority need, and a 15.1% increase in the number of looked-after children from 2010-11 to 2017-18.
- 3.4. Adur and Worthing Councils have to make further savings of £1.6m and £4.5m over the next 4 years respectively. This is detailed in the Councils'

updated medium term financial plans which set out the scale of the financial challenge and detail the Council's approach in delivering the required level of savings. The most recent plan was considered by each Council as part of the budget papers presented to the Councils in February.

- 3.5. Direct investment in commercial properties is one of the ways that Councils across the country have sought to increase their income growth in support of delivering Council services.
- 3.6. According to the Ministry of Housing Communities and Local Government, Local Authority expenditure on trading services totalled £4.0bn in 2018-19, up £993m (33%) in real terms from the previous year. (Trading services include the maintenance of direct labour and service organisations, such as civic halls, retail markets and industrial estates, and commercial activity).
- 3.7. Up to 2018-19 a cumulative total of 105 Local Authorities (29.8%) had spent at least £10 million on commercial property since 2016-17 with over half of these being district Councils and a further 25% being unitary authorities.
- 3.8. Direct property investment is commonly undertaken by Local authorities who have acquired assets both within their administrative boundaries and nationally (47.9% out of area).
- 3.9. Local Authority spend on commercial property was £2.2bn in 2018-19, and during 2019-20, spending was estimated at £7.6bn. In 2020-21, investment volumes from Local Authorities fell significantly due to the impact of the PWLB changes, and a reduced sentiment following the impact of Covid-19 Pandemic on the market generally. This is reflected in the total Local Authority investment during this period, which is estimated at circa £700m, a significant reduction from previous years.
- 3.10. Typically these investments have been funded through Public Works Loan Board (PWLB) long term lending which is at rates of circa 1%-2.5%. Historically, this lending has been on preferential terms to the market enabling authorities to utilise this to generate income over and above borrowing costs. This surplus is used to contribute towards the funding of services and mitigating the impact of cuts to services whilst also protecting services that would otherwise be at risk of closure.
- 3.11. Members will be aware that in 2019 the PWLB increased borrowing rates by 1%, nevertheless the rates still represented good value.

- 3.12. The most recent change to PWLB funding arrangements announced during the November spending review, resulted in increased scrutiny on borrowing, preventing the use of this loan facility to fund investments primarily for yield. In parallel to this restriction, the PWLB rate was reduced by 1% for qualifying investments.
- 3.13. Members should also be aware that the CIPFA is currently consulting on changes to the Prudential Code which will further strengthen the prohibitions on investing solely for yield.
- 3.14. Adur District and Worthing Borough Councils already have an established Strategic Property Investment Fund (SPIF) following a report to JSC in July 2015. Since this time, subsequent reports (the most recent being March 2020) have built upon and developed this workstream following the introduction of the Strategic Property Investment Fund and have increased the current fund size (capital spend) to £125m per Council.
- 3.15. The approval of the 2020 CPIS provided mechanisms to grow the portfolio and monitor performance through improved asset management, continued annual reviews and monitoring. This report reinforces the continued need to monitor performance given the wider economic impact of the Covid-19 Pandemic but moves to take a longer term “total return” approach and analysis of the portfolios. The investment strategy as part of this year’s report follows the same format as previously.
- 3.16. This investment strategy was significantly curtailed by the global Covid-19 Pandemic, with officers re-focusing their efforts on rent collection and tenant engagement, seeking to preserve the Councils investment value and revenue position in these unprecedented times. Very little of the planned allocation for the year was spent by either authority reflecting the prudent and cautious management approach that has underpinned the development and management of the fund since its inception.
- 3.17. As a result, rent collection data (% of all rents collected in advance) for the last financial year is as follows:

	Mar 2020	June 2020	Sept 2020	Dec 2020
Adur	94.24%	96.22%	99.78%	90.23%
Worthing	90.57%	90.22%	90.62%	90.98%

- 3.18. The above figures take into account all rent collection data for all assets currently managed under the SPIF.
- 3.19. Against the backdrop of the Covid-19 Pandemic, the portfolios have performed very positively during the 2020-21 financial year, above industry benchmarks. The success in rent collection is in part due to the relationships developed with our tenants, but also through the careful evaluation and governance process that has been applied to purchases. Where recoverable, officers will continue to work with tenants with arrears in a proactive and supportive manner to improve the rent collection for the financial period.
- 3.20. This year's investment strategy reflects on the changes in the market over the last 12 months as a result of the profound impact arising from both changes to the PWLB lending criteria and the fundamental changes in the commercial property market as a result of the Covid-19 Pandemic. This strategy looks ahead to the future providing context for considering and change in the approach to include opportunistic and value add opportunities within the functional economic areas of the Councils (defined as the Greater Brighton City Region and Northern West Sussex Functional Economic Market Area) to better support out local economies whilst retaining the context of Council revenue requirements and general market regulations on this activity.

#### **4. Points for Consideration**

##### **4.1. Financial Position**

- 4.1.1. Please note that the total spend below per Council is based upon gross purchase price including purchaser's costs and includes all purchases made under the SPIF, including those purchased for operational, local economy and regeneration purposes, specifically for the Worthing fund.

	Number of purchases	Total Gross Spend
Adur	7	£81.5m
Worthing	16	£103.3m

- 4.1.2. For the Worthing fund, the number of purchases reduces to nine, and the total gross spend reduces to circa £75m, when those assets and additional funding acquired for local economy and regeneration purposes are excluded.

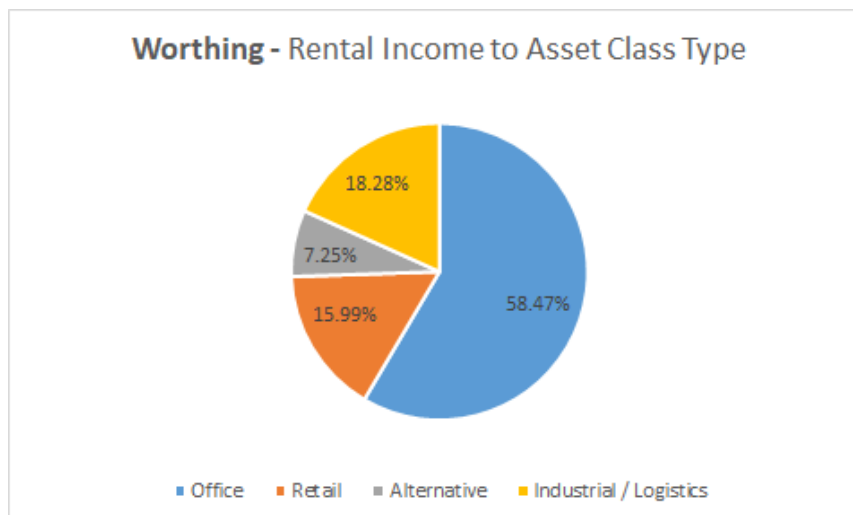
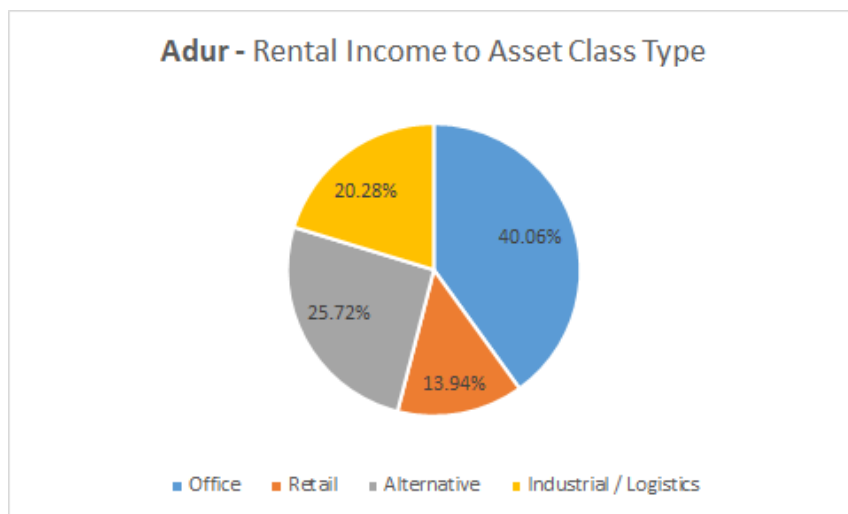
## 4.2. **New Acquisitions**

- 4.2.1. During the current financial year, the Councils have not been active as in previous years, but have taken a reactive approach to opportunities as they have presented themselves.
- 4.2.2. Three purchases were made by Worthing Borough Council at a total of £4.57m and all assets are located within the East Worthing industrial estate area. The Borough Council already has significant land holdings in this area including Decoy Farm.
- 4.2.3. This includes two separate industrial assets located on Dominion Way, predominantly let to Allergy Therapeutics, an important strategic local employer. The properties were acquired for £2.77m, reflecting a 6.5% net initial yield, and presented an attractive income return against a strong financial covenant, in a buoyant asset class. As an illustration of a value add purchase, since the purchase. Officers have renegotiated the main tenant leases for an additional five years term certain and as a result the purchase price sits comfortably below current market values should the Council choose to sell.
- 4.2.4. Worthing Borough Council also purchased a longer term redevelopment site for £1.8m, known as the former EDF Car Park, where it intends to directly deliver new employment space to the area. Officers are currently progressing a redesign of the scheme and the existing planning consent. Overall, members have approved a budget of £5.8m for the acquisition and development of the site from the Commercial Property Fund.
- 4.2.5. Adur District Council made no acquisitions during the 2020/21 financial year.

## 4.3. **Current Fund Structure**

- 4.3.1. The Council has an established Strategic Property Investment Fund following a report to JSC in July 2015. The overall fund objective is to invest in commercial property in the UK so as to obtain a high level of secure income and long term capital growth to support the Councils in delivering local services following reductions in Central Government grant funding.
- 4.3.2. As a result of this the Councils have sought to acquire assets that present a minimum hurdle average net return of at least 1% over the assumed hold period after all costs and expenses including principal and interest debt payments.

- 4.3.3. The acquisitions have still sought to minimise risk exposure, seeking strong underpinning factors with the investment but with the objective to obtain stable income and long term capital appreciation. The portfolio is under constant review and where asset returns diminish to an unacceptable level, disinvestment will be considered.
- 4.3.4. The funds have maintained a balanced spread between asset classes and geographical locations. The pie charts below detail the current weighting of the funds considering all purchases to date:



These funds have been targeting the following asset class weightings:

Office	Retail & Supermarkets	Industrial & Logistics	Alternative
30%	20%	25%	25%

- 4.3.5. The above pie charts does not include any purchases made which have been acquired for either operational purposes or regeneration and local economy purposes.
- 4.3.6. The above charts show that the latest financial year still leaves both Councils weighted highly towards office investments as this has been driven by a combination of historic market opportunities and strong fundamentals within this sector (location of properties, strong demand from the UK's service lead economy, high quality of construction and low maintenance). The office sector makes up a significant proportion of the commercial real estate value in the UK in terms of value.
- 4.3.7. The balanced diversification within the portfolios, and an asset allocation focused on strong underpinning fundamentals, has resulted in a resilient performance overall given the pressure of the Covid-19 Pandemic. The funds low exposure to traditional retail and greater allocation to food store retailing, and industrial and logistic sectors, has been helpful to the funds performance. These specific sectors have seen significant investor demand and yield compression since the start of the Covid-19 Pandemic which is anticipated to continue in the short term.
- 4.3.8. It is important to note that this diversification will continue as the funds mature and seek a total return approach rather than immediate short term income. This may mean that assets present challenges as well as opportunities from an asset management perspective and through asset management plans for the individual assets, potentially investment, re-gearing of leases. Disposal for reinvestment to reduce exposure may further be required where appropriate returns have not been achieved or if future performance prospects of an asset diminish to an unacceptable level.
- 4.3.9. Purchases will now solely focus on the functional economic area of the Councils, specifically targeting opportunities locally, where there is significant regeneration or social value to build a portfolio for a longer term position, balanced with the need to secure long term revenue income for the Councils.
- 4.3.10. The key considerations underpinning the recent acquisitions have been around supporting our local economy and employment opportunities and

value add opportunities within area however, a market commentary and a key update is provided below on the main high level commercial property asset classes:

### **Offices**

Office markets remain subdued due to the impact of the Covid-19 Pandemic, national and regional lockdowns and the shift to home working. This has led to a reduction in investment volumes with market liquidity focused around the life science and biotech sector assets or traditional office assets with long dated income from secured investment grade tenants. A review of occupier office requirements and potential 'hub and spoke' models mean that there are opportunities more regionally for office demand, although this is yet to present it-self as an established trend. Investment yields have moved out in non-core offices and volumes are lower due to the Covid-19 Pandemic. Offices have typically been considered to be the least volatile commercial property asset class and it is not unexpected that both Councils remain heavily weighted towards the offices within the portfolios.

Looking to 2021 office occupier markets are likely to continue to perform well for high quality stock however there remains some uncertainty around structural changes in this sector as occupiers are expected to forensically examine how they use their office space with a move to more flexible working. It is likely that this will result in an acceleration of secondary office stock being repurposed where they face economic and physical obsolescence.

### **Retail**

The decline in 'bricks and mortar' retail has been exacerbated by the Covid-19 Pandemic which has in effect accelerated the move to digital trading. There have been a number of notable administrations, Debenhams, Arcadia Group, Bon Marche, TM Lewin, Monsoon amongst others and it is anticipated that this decline will continue.

Retail properties will continue to present high volatility rates until a sustainable model for traditional retail is established. Other than food store retail, it is recommended that unless there are compelling reasons for an acquisition, that this asset class continues to be avoided.

It is anticipated that there will be continued and accelerated structural change in UK retail in 2021. Repurposing of assets will be the key trend in 2021, with 'right-sizing' and 're-centralising' as converting excess retail



space to create mixed-use destination schemes, which is supported by proposals for reform within the planning system.

### **Industrial**

Industrial and logistics investments remain highly sought after, both prime and secondary stock, with net yields often reflecting sub 5%. The Councils have invested into this asset class and will look to increase its allocation to this sector where pricing permits.

It is expected that rental and capital growth will continue although at a lower rate than we have seen recently. Industrial investments will remain competitively priced due to continued investor demand for industrial stock particularly in relation to last mile distribution. The Councils will remain alert to opportunities, although due to competition, opportunities remain limited. Within areas there is little new stock due to come on stream, other than 'Decoy Farm' which when delivered will increase much needed supply.

### **Alternatives**

The Councils have sought to add alternative investments such as hotels, car parking or sustainability investments such as solar farms to the funds, acquiring long index linked income to strong investment grade covenants. These have typically been in sectors that have been profoundly impacted in the short term by the Covid-19 Pandemic and lockdown restrictions. It is anticipated this sector will recover strongly and subject to detailed risk management, will continue to present as attractive investment opportunities.

The Councils should seek further alternative sector investments to diversify risk across the funds, supported by alternative long term opportunities at these sites within Adur District and Worthing Borough. The Councils should also look to partnering and forward funding opportunities to deliver both regeneration, social, and economic return and there may be opportunities such as Teville Gate and Union Place amongst others to meet a mixture of these aims.

#### **4.4. Fund Size**

- 4.4.1. The decision to increase the fund size in the 2019 CPIS strategy provided means that the current un-allocated capital after all costs of acquisitions, including assets purchased for operational and regeneration purposes, are taken into account is as follows:

**Adur: Circa £43.5m**

### **Worthing:** Circa £24.7m

- 4.4.2. The overall fund size of £125m per Council is relatively small within the context of wider commercial property investment funds, however due to the risks presented by smaller funds officers have sought to proactively ensure a diverse portfolio composition and balanced approach. This has proven resilient against increased volatility in the market and has reduced the Council's exposure by spreading risk across a number of assets, lot sizes, sectors and geographical locations.
- 4.4.3. There are currently no proposals to increase this fund size beyond £250m but that the Councils should move to the overall fund being determined with assets comprising not more than £125m of debt per authority.
- 4.4.4. Due to the impact of changes to the PWLB lending criteria, it is recommended that, following a review of typical transactional opportunities within the functional economic area, the average lot size be amended to £2m - £10m.
- 4.4.5. This will enable the Councils to operate in a window of opportunity below that of typical institutional investors (pension funds and private equity) in order for the Council to remain competitive in the market.
- 4.4.6. It is also anticipated that opportunities below this size are not cost efficient from a transactional and resourcing perspective and there will be limited opportunities above this level in the boroughs.
- 4.4.7. This target average lot size should not restrict the Council from seeking opportunities higher or lower than this subject to the usual due diligence procedures.
- 4.4.8. Proposals to alter the average lot size will not change the Council's acquisition and risk management process other than for redevelopment opportunities.
- 4.4.9. Where an acquisition presents as a value add and opportunistic opportunity, where there is a repositioning, repurposing and redevelopment opportunity, it is recommended that the acquisition process have an additional requirement to produce a detailed outline business case for the redevelopment prior to acquisition, and that a full business case be required in order to release the funds for development.

- 4.4.10. This will enable the Councils to proactively seek more opportunities such as the proposed multi-let industrial development on Southdownview Road at the former EDF Car Park, Worthing, where the Council is working on plans to directly deliver circa 30,000ft<sup>2</sup> of new employment space.
- 4.4.11. Officers will continue to evaluate opportunities both higher and lower than the average lot size as well as assets across the evaluation criteria to ensure that opportunities of interest and benefit to the Councils are not unduly ruled out.

#### **4.5. Resources and Capacity**

- 4.5.1. During 2020-21 the Property and Investment Team has consolidated a strong team to lead on both acquisitions and management of this portfolio to support the delivery of the CPIS.
- 4.5.2. Officers are supported on rent collection and service charge management by Savills who continue to undertake the day-to-day property management of the portfolio. The Councils' have procured Savills, a FTSE250 RICS regulated property firm with over 130 offices across the UK and 39,000 employees globally.
- 4.5.3. The Property and Investment team has expanded with the further recruitment of a Principal Surveyor. There are now two Principal Surveyors within the team who split responsibility for both the strategic investment portfolio and the historic estate. This was in lieu of recruiting a post under the 'Commercial Property Investment Officer' post that was approved in last year's strategy.
- 4.5.4. As part of the development of the 2020-21 revenue budget, an additional role of Asset Portfolio Manager was recommended for approval. Following a review of the tasks and requirements of the role, it is now recommended that this role not be progressed, but the Councils procure a specialist consultancy firm to provide an investment management and fund administration service reporting on a regular basis and to produce an annual review of the individual assets, their financial performance since acquisition and a future management strategy for these assets within the respective portfolios.
- 4.5.5. A full specification of the requirements of this is being drafted by officers, in consultation with the Chief Financial Officer and will be procured in due course.

4.5.6. The Property and Investment Team will continue to engage specialist consultants where required and appropriate and subscriptions maintained for specialist property software/data to ensure the Councils are well informed in delivery of the CPIS.

4.5.7. The Property and Investment team will also continue to maintain relevant CPD requirements for the RICS, consider undertaking an Investment Management Certificate qualification, seeking to develop trainees and apprentices through their Assessment of Professional Competence, and for more senior officers to develop specialist skills to supplement the service delivery.

#### 4.6. **Future Fund Direction and Update to Commercial Property Investment Strategy**

4.6.1. The current weighting of the portfolio into the varying asset classes has improved in diversification from previous years as the funds have started to mature with a larger number of assets within each fund. It is anticipated that this will continue although until the fund is full it is to be expected to have periods of imbalance whilst further properties are acquired or repositioned.

4.6.2. It is recommended that through the production of the annual individual asset plans, that officers continually review opportunities within the existing portfolio to re-shape this accordingly in order to manage risk. This will be reviewed against the individual asset performance and ensure that the portfolio has a balanced asset mix representative of the core aims of the SPIF.

4.6.3. Due to the restrictions on PWLB funding, officers will be seeking investments within the functional economic areas of the Council's where there are opportunities to enhance economic regeneration prospects, or maintain and support economic recovery. This may mean the investment and delivery of new employment space, or opportunities where Councils can add value to existing assets through the Council covenant, perhaps by way of under-writing new developments through forward funding or head leases.

4.6.4. The Councils should consider expanding its investment into alternative asset classes, including the purpose built residential sector i.e. student housing / build-to-rent and temporary accommodation, healthcare, renewables and educational investments.

- 4.6.5. Due to the specialist nature of some of the above investments, the Councils should continue to review the need for alternative corporate delivery structures, such as wholly owned companies, to ensure it is well placed to manage localised risks with the above asset classes and the changing market.
- 4.6.6. Owing to market uncertainties and the impact of the Covid-19 Pandemic coupled with the accelerated decline of retail assets, it is unlikely that the funds will seek to meet their target percentage of retail stock. It is recommended that the SPIF does not alter its current investment mix as a target percentage but should remain flexible in a fluid and fluctuating market until the wider structural impact of Covid-19 Pandemic is known. This will enable the Councils to remain competitive and agile particularly when exploring investments that present strategic opportunities.
- 4.6.7. The Councils should also remain reactive to opportunities that present themselves for additional Council benefit such as where there is the option for site assembly with adjoining properties, longer term regeneration opportunities or other potential windfall acquisitions.
- 4.6.8. Acquisitions should also be considered for portfolio acquisitions where the investment opportunity meets the Council's KPI to invest but the fund would need to acquire a number of assets. This can potentially mean acquiring a number of units as part of a single transaction, which may be considered to exceed the average lot size for a single purchase, however individual lots are likely to meet the average size requirements. This is a means to deploy capital in a potentially more efficient manner that generates greater return and opportunities for the Councils.
- 4.6.9. Councils continue to seek a mixture of 'Core', 'Added Value' and 'Opportunistic' acquisitions.
- 4.6.10. To undertake the whole portfolio review on an asset by asset basis and bring a further report back to members with the findings and with individual property recommendations to September JSC.

#### 4.7. **Statutory Guidance**

- 4.7.1. When investing in property, local authorities must comply with statutory guidance. This includes two codes of practice (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities) issued by the

Chartered Institute of Public Finance and Accountancy (CIPFA), in addition to, the Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication, “Statutory Guidance on Local Authority Investment Activity”. Copies of this guidance are attached to the CPIS 2019/20, for which there is a link under background documents at the end of this report.

4.7.2. This statutory guidance on investment strategy includes requirements for Councils to:

- Prepare an annual Investment Strategy which must be approved before the start of the forthcoming financial year by full Council, or its closest equivalent.
- Ideally present the strategy prior to the start of the financial year.
- Ensure the strategy is publicly available on a local authority’s website.
- Disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority.
- Include quantitative indicators within the strategy, that allow Councillors and the public to assess a local authority’s total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return.

4.7.3. The investment strategy must include:

- Details of the processes used to ensure effective due diligence, defining the authority’s risk appetite, including proportionality in respect of overall resources.
- Qualify independent and expert advice and scrutiny arrangements.
- Disclose the contribution that investments make “towards the service delivery objectives and/or place making role of the local authority”.
- Propose indicators that enable councillors and the public to assess the authority’s investments and the decisions taken.

4.7.4. The investment guidance is clear that Councils may not “borrow in advance of need” to profit from the investment of the sums borrowed. The definition of investment has recently been extended to include investment in property and

the granting of loans to third parties.

- 4.7.5. In recognition of the importance of commercial income to Councils at a time when Central Government funding is steeply declining, a Council can choose to disregard the Prudential Code and this part of the guidance. In this case, its investment strategy should set out why this is the case and what the Council's relevant policies are.
- 4.7.6. The implications of the guidance are that the Councils will need to have at least one Investment Strategy ("the Strategy") that meets all the disclosures and reporting requirements specified in the statutory guidance.
- 4.7.7. For Adur District and Worthing Borough Councils, there will be two separate elements to the strategy:
  - Annual treasury management investment strategy which covers all cash investments.
  - Annual SPIF and CPIS covers the Councils' approach to commercial property investment.
- 4.7.8. The annual Treasury Management Investment Strategy has already been approved by the Councils in February. This Treasury Management Investment Strategy and the Commercial Property Investment Strategy 2021/22, which is attached as Appendix 1, provide evaluation criteria for the assessment of investment opportunities, risk profiling, evaluation, resourcing and monitoring, accounting for the statutory guidance.

#### **4.8. Investment Evaluation Process**

- 4.8.1. Prospective investment opportunities are reported by suitably qualified and experienced in-house MRICS (Member of the Royal Institution of Chartered Surveyors) professionals, in a risk matrix as Appendix 2. This risk matrix provides analysis of a set of key investment criteria against which every prospective purchase is evaluated. The presentation of information highlights fundamental matters such as macro/micro location economics, tenant covenant strength, lease length, building quality and alternative uses in a transparent and consistent format, to support clear scrutiny and decisions.
- 4.8.2. The risk matrix provides a basis for scoring and weighting risk, to support the analysis of potential acquisitions and qualify overall suitability for inclusion in the wider portfolio. A minimum score threshold is set, below which it is not

recommended to proceed unless there are significant factors that require consideration, to include additional regeneration opportunities for the Council, land assembly opportunities or other circumstances that can be suitably justified from a social and environmental perspective.

- 4.8.3. The score threshold is not an absolute, but set to guide decisions, reflecting the fund structure objectives, as detailed in the CPIS (Appendix 1), which assumes a low risk profile. The process is further supported by the inclusion of a Strength, Weakness, Opportunities, and Threats analysis (SWOT).
- 4.8.4. To ensure arms-length objectivity and scrutiny, external agents and consultants provide professional market analysis, specialist data and advice, to support the evaluation and internal reporting process. The risk matrix and SWOT analysis is undertaken by the Councils retained external agent and consultants, with officer input and scrutiny.
- 4.8.5. Tenant default is a significant threat to performance. This risk has previously been reviewed through undertaking in-house reports such as CreditSafe and/or Dun and Bradstreet, with further internal scrutiny from the in-house financial team. Where proportionate, it is recommended that this process is furthered to include third party advice from an accountant to provide an in-depth analysis of a tenants financial health, business operations and future performance.
- 4.8.6. Where value add or opportunistic acquisitions are identified, an additional outline business and financial case will be prepared and shared at Stage 2 below and shared in Stage 4 as part of the relevant consultation process.
- 4.8.7. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms with relevant market specialism and RICS regulated.
- 4.8.8. To ensure independent and expert advice and scrutiny, all pre-sale technical due diligence is undertaken by arms-length external professional advisors, including as required:
  - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by the RICS as part of their commitment to promoting and supporting high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.



- A Building Survey report, as part of the proposed purchase for investment purposes, including preparation of a Reinstatement Cost Assessment for insurance purposes.
  - Environmental, services and any further surveys/technical due diligence required to qualify the investment.
  - Specialist investment market advice, including, as required, occupational market context and financial modelling to qualify and forecast prospective investment performance.
- 4.8.9. The above is reviewed by the Property and Investment Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Investment and Major Projects, on whether to proceed.
- 4.8.10. The professional team including the Head of Major Projects and Investment receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process. In addition, it is also recommended that all members and officers involved in the decision process are provided with annual updates on the commercial investment market, including occupier activity and trends and maintain up to date qualifications and continuing professional development.
- 4.8.11. A separate paper will be presented at an appropriate date, detailing a proposal for a disposals strategy if required, as part of the whole fund annual review after the year end.
- 4.8.12. This will present opportunities for capital generation for projects but also to reduce the debt levels across the investment portfolio as the Councils seek to include equity into the investment process, leading to better overall returns.

#### **4.9. Property Investment Governance**

- 4.9.1. Clear, robust and transparent governance is critical to the strategy, meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly and

competitively, to investment opportunities in the market and avoid missing opportunities through delay.

- 4.9.2. The current Scheme of Delegations provides that the authority to acquire or dispose of land, is vested in the Head of Major Projects and Investment, and where the asset is purchased through the SPIF, the delegation is only exercisable in consultation with the relevant Leader, Executive Member for Resources and the Chief Financial Officer.
- 4.9.3. It is proposed that a formalised staged governance approach is adopted in relation to SPIF purchases, as follows:

**Stage 1**

Officers identify suitable opportunities in the market, having undertaken appropriate investigative and due diligence assessment, in accordance with the above “Investment Evaluation Process”.

**Stage 2**

The opportunity is reported in writing, with all supporting information as detailed in the “Investment Evaluation Process”, to the Head of Major Projects and Investment, in consultation with the Chief Financial Officer/s<sup>151</sup> officer, notifying the Head of Legal Services, Director for the Economy and Chief Executive.

The report will include:

- A risk matrix and SWOT analysis
- A financial appraisal
- An outline business case where the opportunity is a ‘value add’ or ‘opportunistic’ and likely to require additional capital expenditure
- A summary of the investment, including a request for authority to bind the Council to a range of terms and indicating an acceptable price point for the acquisition.
- A consideration of any tenant, use or asset from an Environmental, Social and Governance perspective

If the proposal is supported, the potential acquisition will progress to Stage 3.

**Stage 3**

The Property and Investment Team will progress negotiations, with the retained external agent, seeking to formally agree Heads of Terms with the vendor, including price and basis/terms of acquisition. If negotiations lead to

the agreement of acceptable terms, final approval to proceed will be sought in accordance with Stage 4.

#### **Stage 4**

A recommendation will be reported in writing to the Head of Major Projects and Investment. In making any decision to purchase, the Head of Major Projects and Investment will carry out a consultation, as provided for in the Scheme of Officer Delegations, with the relevant Council Leader, Executive Member for Resources and Chief Financial Officer.

The relevant Council for any acquisition will be determined, applying the principles in the Investment Strategy (Appendix 1) in relation to financial resilience and risk diversification requirements, to support the development of balanced portfolios.

Subject to approval, written authority to proceed, will be provided by the Head of Major Projects and Investment to the Property and Investment Manager, who will then seek to acquire the asset, which will be subject to an external Red Book valuation, building and other necessary surveys and legal reports and conveyancing, providing satisfactory pre-acquisition due diligence.

A decision notice will be completed and published in accordance with the Officer Decision Making Protocol, and such decisions will be subject to the call-in provisions.

#### **Stage 5**

Completed purchases will be reported as part of the Annual Review, or through the following year's Commercial Property Investment Strategy to JSC.

### **4.10. Risk Management**

- 4.10.1. Property investment will necessitate exposure to risk. Risk is in effect two fold - specific risks, arising from the nature of particular assets, or systemic risks - risk that are fundamental to the investment market and reliance upon property investments for commercial returns.
- 4.10.2. Financial risk is notably evident whereby the total invested can exceed the current Market Value. Prices are prone to fluctuation, particularly due to changes in the locality, the general economic outlook, or asset specific risks, such as tenant failure. Furthermore, property investment is relatively illiquid,

requiring a longer term approach. In the event of a market crash, property is much less liquid than other assets and can be hard to sell and may present risk to income and servicing of debt requirements.

- 4.10.3. The Councils' exposure to risk equates to the total amount of capital invested, plus financing costs (such as interest due on loans), property operational running costs (management, vacant business rates, service charges, professional fees etc.) and legislative compliance. The Councils' risk quantum will be defined as this total exposure, less the value of held assets.
- 4.10.4. Whilst risk is a natural, necessary, part of investment that cannot be eliminated, it can be proactively managed.
- 4.10.5. Larger investment funds have greater overall exposure but tend to be better insulated to market fluctuations where they comprise a diverse mix of strong performing assets.
- 4.10.6. The SPIF is built upon a series of conventional measures to manage risk, reflecting the key objective:  
  
***“To adopt a structured and measured approach to property income generation, pro-actively managing the risk inherent to investment, creating a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services.”***
- 4.10.7. The CPIS (Appendix 1) objectives and fund policy build upon this key objective, providing a series of controls to direct the investment strategy towards a prudent low risk fund with a cautious perspective on investment, limiting exposure to unnecessary capital risk, whilst generating a return.
- 4.10.8. In reviewing this strategy, the investment direction has been expanded to include value add and opportunistic investments, where within the functional economic area, additional value can be quantified through social, economic or environmental benefit to the Councils' objectives.
- 4.10.9. Financing property investments has typically been based upon utilising reserves, capital receipts and borrowing. Borrowing is currently available with fixed interest for the duration of any loan, (albeit subject to much more stringent criteria than previous) via the PWLB funding, mitigating the risk associated with exposure to interest rate fluctuations.

- 4.10.10. The Minimum Revenue Provision Policy (part of the treasury management strategy statement) details the Council's position and deals with the Minimum Revenue Provision (MRP) that must be made to mitigate that risk. The MRP is the amount the Councils must set aside each year from the annual revenue budget for the repayment of debt.
- 4.10.11. The CPIS (Appendix 1) details a series of measures to guide decisions, based around spreading capital across a variety of asset classes, locations and sectors. This diversification reduces the risks of exposure to a single asset, tenant, or sector failure.
- 4.10.12. Funds that are excessively concentrated in one particular sector or region increase risk, whilst a good spread of properties across asset classes, diversify systematic risk and varying the locality, reduces local market risk.
- 4.10.13. As a result of re-focusing investment within the functional economic area, the Council's risk profile to local market risk will be increased due to the reduction in geographical spread of investments and higher allocation to our functional economic area. However, where investments are local, the Council is able to take a longer term view with regards to future growth and opportunities, specifically where an asset's current use is facing economic, physical or functional obsolescence and requires regeneration, economic support and placemaking more generally.
- 4.10.14. The average property size was typically a measure to ensure the fund does not only hold a very small number of large properties, which increases risk, such as a single large tenant failing whilst maintaining an efficiency of management. Whilst the funds have historically moved to increase the fund size, targeting larger lot sizes in order to maintain the same level of net return to the Council, officers feel that due to the locational restrictions on lending and typical lot size for prospective assets within our economic functional area, the average lot size should be adjusted to between £2m - £10m.
- 4.10.15. Investments should still focus on a diverse mix of single and multi let tenanted properties to spread the income security.
- 4.10.16. The Council's exposure to investment risk can also be profiled by defining the acceptable parameters. The CPIS (Appendix 1) Fund Structure details a series of different segments that provide a basis for dividing commercial

property investments, based upon their position at differing points on the risk versus return spectrum.

- 4.10.17. The ability to vary the distribution of purchases between each of the above three categories, is a common portfolio investment tool. This provides flexibility to respond fluidly to opportunities and changes in the economy, market climate and differing performance across asset classes, as the fund evolves. Such agility is key to maximising operational efficiencies and opportunities will continue to be evaluated on a case by case basis.
- 4.10.18. This portfolio profile has favoured acquiring premises leased to strong covenant tenants in established markets, which are typically more attractive to investors, thus easier to sell if required, when compared to higher risk investments which attract a different type of investor. As the portfolio expands into the value add and opportunistic spheres, investments will become less liquid so a greater level of scrutiny is required through the business cases for individual opportunities to ensure proposals are financially robust and can be delivered within an appropriate timeframe. This is why officers are recommending an update to the acquisition process and further reporting to ensure that a robust risk management process is in place.
- 4.10.19. Officers have sought to ensure the Councils' robust risk management procedures are fit for purpose, in particular as a result of the 'stress test' applied to the portfolio as a result of the Covid-19 Pandemic. Whilst it is clear that the impact of the pandemic will continue to be felt and markets will flex and change to meet this, it is important that the Councils continue to adjust their risk management procedures in order to respond to this.

#### 4.11. **Annual Performance Monitoring**

- 4.11.1. Active management of the portfolio is key to proactively maintain the buildings to maximise value, monitor occupiers and capitalise in favourable market conditions which maximise capital receipts. Tenant covenant strength, compliance with lease obligations, such as repair and maintenance, management of the payment of rent and service charge needs to be actively managed. External managing agents (Savills) have been appointed and the portfolio is cliented by the Councils' in-house surveyor, a MRICS qualified professional with experience in institutional level commercial property investments.

- 4.11.2. Additional recommendations within this report is to expand the investment management fund reporting to include total return outputs which will measure the income and capital return from portfolio at inception to each future financial year showing accumulative and annual performance. These outputs will be further benchmarked against a comparator index. This will enhance the performance reporting mechanisms and enable officers to recommend asset management initiatives in the future, either investment, repositioning and disinvestment. This further includes new updated asset plans for each asset, and a portfolio composition review. This work is being scoped currently, and will be procured in due course.
- 4.11.3. The cost of this additional reporting and recommendations will be met from the budget already allocated from the Asset Portfolio Manager post.
- 4.11.4. This additional third party reporting is in addition to ongoing monitoring, the CPIS (Appendix 1) which details a series of measures to undertake a comprehensive annual re-evaluation, including detailed assessment of key performance indicators, to quantify, monitor and benchmark the portfolio performance and strategic direction that are undertaken internally and in consultation with relevant officers and members.

#### 4.12. **Corporate Implications**

- 4.13. If the Councils had not taken the decision to invest, this would have led to an overall reduction in the capacity of the Councils to deliver, with cuts in services, particularly those we are not under a statutory duty to deliver.
- 4.14. The capital value and income from the funds assets will go down as well as up. There is no guarantee that the fund will achieve its objectives and Council returns less than originally invested.
- 4.15. The additional income delivered from SPIF investments, has contributed to the delivery of a more robust and sustainable Revenue Budget for 2021/22 and the delivery of the budget strategy, helping to manage pressures arising in year due to unforeseen circumstances, including the Covid-19 Pandemic.
- 4.16. As part of this initiative, the Councils will inevitably be taking on more risk. Consequently, a robust risk management strategy has been adopted to cover both acquiring property and managing the portfolio for the future, to ensure that there is sufficient revenue income, to repay the debts the Councils are acquiring and to continue to contribute to the Councils' financial health.

## 5. Engagement and Communication

- 5.1. This report builds upon the previous CPIS 2020-21, taken to JSC in March 2020.
- 5.2. Consultations have taken place with legal and finance and their comments are contained within.

## 6. Financial Implications

- 6.1. The Councils have over the past few years addressed significant budget shortfalls. The investment in commercial property has enabled the Councils to protect front line services, address falling income from Central Government grant funding, and increase the level of spend in areas such as Housing need through generating net additional income. Below is a breakdown of the contribution to balancing the budgets made by the acquisitions since the introduction of the initiative in 2017:

	Adur	Worthing
Level of savings required to balance the budget 2017/18 - 2021/2022	£5.119m	£8.521m
Net new income from the investment in commercial property	£1.043m	£1.270m
% of savings from commercial property income	20.43%	14.90%

- 6.2. Looking ahead, this investment continues to be an important strand of the budget strategy, helping balance the budget as the Councils continue to address significant financial challenges.
- 6.3. The Councils have already approved an overall investment of £125m per Council which has been spent or allocated as follows:



	Adur £'000	Worthing £'000
2016/17 Actual	0	3,222
2017/18 Actual	11,579	9,464
2018/19 Actual	26,366	26,973
2019/20 Actual	43,507	51,549
2020/21 Actual	0	4,799
2021/22		
- Allocated to projects	80	4,272
- Unallocated	43,468	24,721
Total investments	<u>125,000</u>	<u>125,000</u>

6.4. The Executive Member for Resources can approve an accelerated spend in any given year subject to the provision of a business case to justify a higher level of spend.

6.5. It is recommended where possible the Councils continue to seek to retain an average of 20% of the rental income towards future expenditure on repairs, refurbishment, lettings incentives, and void periods. To achieve this the Council will take three measures:

- i) A regular contribution to earmarked reserves is to be created over the next 5 years to equate to 10 - 20% of annual rental income;
- ii) Any over-achievement against the commercial income budget set will be placed into earmarked reserves at the year end;
- iii) Where commercial properties are disposed of, all the surplus income in excess of any associated debt and the original purchase price, will be placed into a specific reserve for future capital investment requirements. In the short term, this reflects the need to build reserves to support the management of risks associated with the portfolios. In the medium term, it is envisaged these funds could also be released for reinvestment into the portfolios.

6.6. Currently the annual provision for the management of voids and future maintenance is £200k for Adur and £250k for Worthing, and it is intended to

increase this provision by at least £100k per annum until the 20% annual set aside has been reached. For 2021-21 the annual provision will be:

- Adur                    £550,000
- Worthing            £350,000

In 2020-21 this provision was used to offset all losses within the property portfolio due to the impact of the Covid-19 Pandemic.

## **7. Legal Implications**

- 7.1. S.111 Local Government Act 1972 provides Councils with the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.”
- 7.2. Section 120 (1) Local Government Act 1972 provides the Council with the power to acquire land, whether inside their area or not, for the benefit, improvement or development of their area. Section 1 Local Government Act 2003 enables the Councils to borrow money for the purpose of the prudent management of its financial affairs. Section 12 Local Government Act 2003 empowers the Councils to invest for the purposes of the prudent management of its financial affairs.
- 7.3. s.1 of the Localism Act 2011 provides the Councils with the general power of competence to do anything that an individual may do.
- 7.4. The Scheme of Officer Delegations includes the following delegation to the Head of Major Projects and Investment at paragraph 3.13.2: “To acquire land in connection with the Council’s functions and to take leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council’s functions. (Where acquisition of land is purchased through the Strategic Investment Fund, the delegation is to be exercised in consultation with the Leader, Executive Member for Resources and the Chief Financial Officer).
- 7.5. The Officer Decision Making Protocol in each Council’s Constitution provides a procedure for giving notice of key decisions, Officer Decision making, the publication of Decision Notices, and the procedure for Call-In of such decisions.

7.6. Any decisions made to acquire under the Strategic Investment Strategy are subject to scrutiny by the Council's Joint Overview and Scrutiny Committee in accordance with the Joint Overview and Scrutiny Procedure Rules in each Council's Constitutions.

### **Background Papers**

- March 2020 JSC report
  - Strategic Property investment Fund 2020 (SPIF)
  - The Commercial Property Investment Strategy (CPIS 2020-2021)
- Platforms for our places
- Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
- The Prudential Code for Capital Finances In Local Authorities
- The Chartered Institute of Public Finance and Accountancy: Prudential Property Investment
- National Audit Office: Ministry of Housing, Communities & Local Government Local authority investment in commercial property
- Costar Insight - Local Authority Investment

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## **Sustainability & Risk Assessment**

### **1. Economic**

- This proposal continues the implementation of the Council's capital and Medium Term Financial Strategy to generate additional revenue for the funding of Council services.

### **2. Social**

#### **2.1 Social Value**

- Matter Considered, no issues identified.

#### **2.2 Equality Issues**

- Matter Considered, no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

- Matter Considered, no issues identified.

#### **2.4 Human Rights Issues**

- Matter Considered, no issues identified.

### **3. Environmental**

- Matter Considered, no issues identified.

### **4. Governance**

- This aligns with the Council's capital strategy. Investment in good quality commercial property to produce additional revenue is part of a combined strategy in the Councils' approved budget strategy.

# Appendix 1

Commercial Property Investment Strategy:

**THE COMMERCIAL**

**PROPERTY INVESTMENT**

**STRATEGY 2021-2022**

# Contents

1. Objectives
2. Fund Policy
3. Financial Resilience
4. Fund Structure
5. Purchase Guidelines
6. Annual Review

## The Property Investment Strategy

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### 1. Objectives

The key objective:-

***“To adopt a structured and measured approach to property income generation, pro-actively managing the risk inherent to investment, creating a balanced portfolio delivering long term sustainable income, for the purpose of supporting the continued provision of Council Services.”***

This key objective will be delivered through the application of the following principles: -

- ❖ To invest in commercial property to generate a sustainable income, with clear margins exceeding the cost of capital and borrowing.
- ❖ To build financial resilience through the creation of a diverse portfolio to balance risk and return.
- ❖ To acquire established commercial properties generating an immediate stable income and preserve capital (notwithstanding market changes).
- ❖ Supporting economic growth within Worthing and Adur, where suitable opportunities arise, provided the return covers the costs of an associated financing but lower returns or greater risk can be justified.
- ❖ Re-evaluate the existing property portfolio to maximise the financial benefit.
- ❖ Retain the existing property portfolio, where appropriate to maximise long term revenue generation.



## The Property Investment Strategy

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### 2. Fund Policy

- ❖ Retain existing assets where appropriate, to generate income, investing where necessary to enhance returns.
- ❖ Review the benefits of an investment vehicle, such as a holding company, to retain acquired assets.
- ❖ Capital receipts from the sale of Strategic Property Investment Fund (SPIF), or other Council properties, to be considered for:
  - Reinvestment in SPIF, to sustain income generation and maximise opportunities.
  - Repayment of capital borrowing to improve the return on existing assets.
- ❖ Allocation of new purchases or disinvestment between the Adur and Worthing portfolios, to be recommended in consideration of fund diversification risk management.
- ❖ We will not engage with occupiers who may present a significant unmitigated reputational risk.

## The Property Investment Strategy

### 3. Financial Resilience

We will always undertake thorough due diligence to ensure risks associated with any proposed acquisition are understood and mitigated.

The following table details a series of guiding principles, employing conventional measures that are intended to assist decisions to create a balanced portfolio, by providing a basis to manage risk through diversification.

Risk Diversification		
Geographical Diversification	Maximum of 30% of the Target Fund size is invested in any single town, except for in borough investments with a social, economic or environmental benefit.	Given the size of the funds, initially concentrating on outer London and the wider South East area, with consideration given to wider geographical diversification, as the funds grow and approach their target sizes. Restrictions to PWLB funding mean that this is relevant to non-PWLB funded acquisitions through alternative finance or from capital reinvestment following asset sales.
Asset Class/Sector Mix	Industrial/Warehouses 25% Offices 35% Retail 15% Alternatives 25% (e.g. car parking)	To ensure a spread of risks, acquisition across office, retail and industrial sectors. As the fund grows, the portfolios will be heavily weighted into certain sectors and classes, driven by opportunities and market performance. It is expected weightings will progress towards targets as the portfolio matures in the medium term. The fund has avoided retail, but where food retail opportunities or those with value add or opportunistic opportunities, this level has been retained.
Average Property Size	Guide Size c.£2-10m	This provides flexibility for the Councils to operate in an optimal place in the market, tailored to the extent of competition and likely asset availability within the functional economic area. Acquisitions outside the guide sizes will be considered where they offer a good return, support diversity and do not create over exposure to a large single tenant/asset but also facilitate larger multi-let properties or strategic purchases.
Leases Expiring within 5 years	Maximum 30%	Spread and diversity sought in future lease expiries across acquisitions to protect revenue streams unless value add or opportunistic acquisitions.
Target Return	A return exceeding the cost of borrowing	Initial return exceeding the cost of borrowing, preferably by 2%. Lower returns considered if there is a viable business case/portfolio fit or for lower risk investments but not lower than 1%.

Target Fund Size	£250M	In order to make a meaningful contribution to the financial challenge, the Councils has agreed to build a portfolio that will generate an initial yield of at least 5%.
Capital Expenditure Allowance	20% of the rental income	Held in a fund to support future management and capital expenditure for the portfolio, such as voids, maintenance and/or refurbishment. Surplus income will be set aside into a revenue account and capacity within the annual revenue budget to support this will be built over the next 3 financial years, notwithstanding unforeseen stress tests such as Covid-19

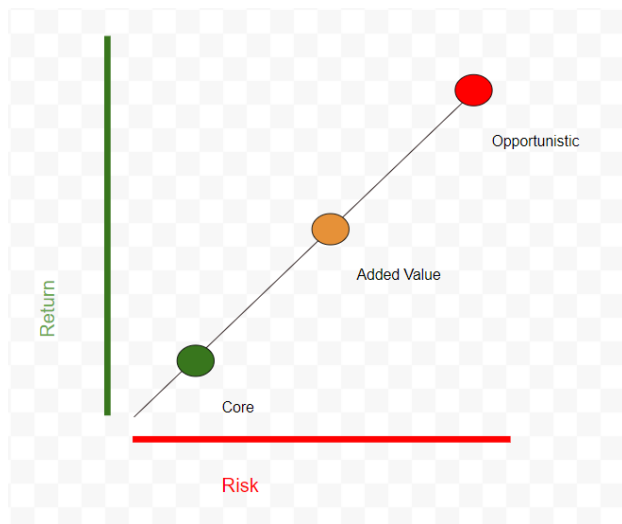
It is important to acknowledge that the above principles are ongoing long term objectives and attaining balance will progress as the fund matures.

## The Property Investment Strategy

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### 4. Fund Structure

Commercial property investments can be divided into different segments, based upon their position at differing points on the risk v return spectrum.



These segments can be defined as follows: -

**Core investments:** - comprise the bedrock of a diversified portfolio and present minimum risk, being the least risky investment segment. Typically they comprise fully leased, secure investments to strong covenant tenants, in urban locations/markets that tend towards strong demand.

Attractive for the lower level of risk they provide compared to other investment types, which is reflected in the lower yield when compared to more risky property investments.

Typical property characteristics: -

- subject to long leases to strong covenant tenants on fully repairing terms.
- buildings are typically modern, in good repair and condition.
- the buildings have reduced depreciation and obsolescence, providing a stable relatively predictable income.

This type of investment suits investors who seek capital preservation and long hold periods. This type of investment is typically the most liquid, on the basis they are generally attractive, marketable assets when compared to the following segments.

**Added Value:** - More risky investments reflected in the potential for higher return by increasing property value.

Typical Property Characteristics: -

- single let, or multi let, with varying tenant covenants
- Opportunities to improve buildings.
- Fairly liquid in a stable market.
- Potentially vacant, partially vacant, or close to lease expiries, creating opportunities to make improvements.
- Opportunities to increase value could include physical improvements, such as refurbishment, or re-development, letting vacant space to stronger covenant tenants on more investor attractive terms, lowering operating expenses.

These properties carry more risk due to the property not operating to its full potential when acquired, commonly with less secure income. If the business plan to increase value does not succeed, a tenant fails, or vacates, there is potential for reduced return, or losses.

**Opportunistic:** - similar approach to value add, with additional risk due to property typically requiring substantive work to increase value.

Typical property characteristics: -

- Part of fully vacant when acquired.
- No income when acquired, with ongoing vacant running costs.
- Typically distressed property, requiring substantial investment.
- These properties are considered high risk, with failure of a business plan typically resulting in financial losses.

The following guideline Fund Structure is the basis of investment, adopting a prudent, income focused, strategy: -

	%	
Core	65% (+/- 10%)	Modern, or extensively refurbished buildings, fully let on long leases to good covenant tenants in major core markets.
Value Add	Max 25% (+/- 10%)	Single or multi-let buildings, with various lease lengths and tenant covenants. Opportunity to add value.
Opportunistic	Max 10%	Higher risk assets that can be repurposed to generate income.

## 5. Purchase Guidelines

- ❖ Target area UK wide, with focus upon the South East. Where new acquisitions are PWLB funded, sites to be within the functional economic area.
- ❖ Commercial real estate.
- ❖ Freehold, or long leasehold nominal rent purchases. Forward funding, income strips and other financial models considered subject to individual business cases.

- ❖ Income producing properties, leased on conventional terms, secured against good covenant tenants.
  
- ❖ Value Add and Opportunistic acquisitions to have an outline business case and clearly identify economic social or environmental value added if returns do not meet the benchmarks above.

## Property Investment Strategy – Property Investment Portfolio Management

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### 6. Quarterly and Annual Review

To monitor performance and ensure proactive risk and opportunity management, the Quarterly review will consider:

- ❖ An update of quarterly rent performance, service charge and insurance collection and , arrears position.
- ❖ A review of retain, sale, repurpose or re-gear of each asset following on from the individual asset plan.
- ❖ Bi-annual valuations of the assets to look at portfolio total return.
- ❖ Advise on all critical lease matters including rent reviews, lease renewals, lease breaks and re-gearing opportunities.
- ❖ Upcoming cash flow issues and reactive asset management requirements, risk reporting from these.
- ❖ Tenant compliance with lease terms and any default, or issue.

The annual review will consider:

- ❖ Market update on activity and forecasts to identify any re-purposing of any asset(s).
- ❖ Ongoing review of the current investment strategy.
- ❖ An external market valuation of the portfolio to monitor and benchmark performance, meeting financial requirements.
- ❖ An updated three -year cash flow forecast.
- ❖ An update of three-year capital expenditure forecast.
- ❖ A review of retain, sale, repurpose or re-gear of each asset.
- ❖ Review of the previous year’s performance including any (Key Performance Indicators) KPIs.
- ❖ Review of the underlying lifecycle of the asset, holding period and refurbishment expectations.
- ❖ Rent collection rates, arrears and service charge reconciliation.
- ❖ Advise on all critical lease matters including rent reviews, lease renewals, lease breaks and re-gearing opportunities.
- ❖ Dilapidations, health and safety and insurance claims.
- ❖ Capital expenditure over the preceding 12-month period.

- ❖ Tenant covenant strength monitoring report.
- ❖ Tenant compliance with lease terms and any default, or issue.

## **7. Asset Management (on-going)**

- ❖ Rent collection rates, arrears and service charge reconciliation.
- ❖ Advise on all critical lease matters including rent reviews, lease renewals, lease breaks and re-gearing opportunities.
- ❖ Driving asset management initiatives to deliver asset management plans
- ❖ Dilapidations, health and safety and insurance claims.
- ❖ Void and re-letting management.
- ❖ Capital expenditure over the preceding 12-month period.
- ❖ Tenant covenant strength monitoring report.
- ❖ Tenant compliance with lease terms and any default, or issue.



# Appendix 2

Risk Matrix and SWOT example:

INVESTMENT PROPOSAL

Property Name/Location:  
 vendor:  
 tenure:  
 Category:  
 Price:  
 Rent per annum:  
 Rent Free:  
 Initial Yield:  
 VAV Election:  
 EPC:  
 Net Return After Borrowing

Criteria	Criteria Description	Comments	Weighting	Weighted Property Score	Excellent	Good	Acceptable	Marginal	Poor
Location: Macro	Quality of the location (town, city, area) with regard to the property use		3	0					
Location: Micro	Quality of the individual situation of the property within the macro location, with regard to the property use		3	0					
Building Quality	Quality of the building compared to the industry standard Grade A for the property type		3	0					
Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant		3	0					
Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations		2	0					
Lease Term	Length of the secured income.		3	0					
Lease Structure	Tenant repairing obligations, rent review mechanisms		3	0					
Rental Growth Prospects	Opportunity / Likelihood to increase passing rent/ ERV		3	0					
Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate		3	0					
Management Intensity	Complexity and cost of managing the property		2	0					
Liquidity/Exit Strategy	The degree to which the property can be quickly sold in the market without affecting the price. Please provide specific commentary on exit strategy.		2	0					
Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required		2	0					
Asset Management Opportunities	Opportunities to add value to the property		1	0					
Financial Return (risk v reward)	The forecast gross internal return considering the risk profile of the property and in accordance with the sector with a focus upon income v capital values at lease expiry		4	0					
Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio		3	0					
Weighted Score		A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered.		0					

Investment Decision Guide for filling in matrix

example considerations

Criteria	Criteria Description	Maximum Weighted Score	Excellent	Good	Acceptable	Marginal	Poor
Scoring numerically between 1 and 5 as detailed in this guide							
SCORE TO APPLY TO EACH COLUMN		5	4	3	2	1	

Shading denotes client to fill in

SCORING GUIDE

SCORING CONTROLS

Portfolio Strategy Context	The extent to which the property meets the strategy and contributes to the achievement of a diversified portfolio	15	Under-represented sector				Sector already heavily represented
Location: Macro	Quality of the location (town, city, area) with regard to the property use	15	Major Prime	Prime	Major Secondary	Micro Secondary	Tertiary
Location: Micro	Quality of the individual situation of the property within the macro location, with regard to the property use	15	Excellent transport / footfall				Location with limited benefit
Tenant Covenant	Ability of the tenant/s to pay the rent for the duration of the lease. Credit rating of the tenant	15	Excellent financial covenant	Strong financial covenant	Good financial covenant	Poor but improving covenant	Poor financial covenant
Building Quality	Quality of the building compared to the Industry standard Grade A for the property type	15	New, modern or recently refurbished	Good quality- no spend required 20 years+	Good quality but spend required in 10 years	Spend required in 5 years	Tired / Significant spend CapEx likely
Lease Term	Length of the secured income.	15	Greater than 15 years	Between 10 and 15 years	Between 6 and 10 years	Between 2 and 5 years	Under 2 years / vacant
Lease Structure	Tenant repairing obligations, rent review mechanisms	15	Full repairing and insuring- partially recoverable		Internal repairing	Internal repairing- partially recoverable	Landlord responsible
Rental Growth Prospects	Opportunity / Likelihood to increase passing rent	15	Fixed uplifts at frequent intervals				Significantly over-rented (tenant paying above the
Occupational Demand	Anticipated level of demand from alternative occupiers if the tenant/s were to vacate	15	In demand from many tenants		Reasonable prospect of securing new tenants		Niche with limited demand
Management Intensity	Complexity and cost of managing the property	10	Single Tenant				Multiple Tenants
Liquidity	The degree to which the property can be quickly sold in the market without affecting the price	10	Lot size & sector attractive to investors				Attractive to niche purchasers only
Alternative Use / Underlying Value	The value of the land and the opportunity to explore a change of use should this be required	10	Favourable location / planning				No opportunity to change use
Tenure	Freehold / Long Leasehold. Consideration of any ground rent obligations	10	Freehold	Long Leasehold 125 years + / peppercorn ground rent	Lease between 100 and 125 years / peppercorn ground rent	Lease between 50 and 100 years	Less than 50 years and/or high ground rent (10%+)
Asset Management Opportunities	Opportunities to add value to the property	5	Significant opportunity to add value				No opportunity
Financial Return (risk v reward)	The forecast gross financial return considering the risk profile of the property and in accordance with the sector.	20	Return higher than expected for sector / the risk profile				Return lower than expected for sector / risk profile

Weighted Score		200	A property will be expected to score at least 140 out of 200 (70%) on the above matrix unless there are other economic / wider benefits to be delivered within or to the county.
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<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30 March 2021  
Agenda Item 8

Key Decision: Yes

Ward(s) Affected: All

## **Council Tax Support Scheme - Additional discretionary discounts**

### **Report by the Director for Digital, Sustainability & Resources**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 The Councils received as part of the local government finance settlement Council Tax Support Grant which was intended to compensate Councils for income lost due to the rise in Council Tax Support (CTS) claimants throughout the pandemic and to give Councils an opportunity to award additional discounts.
- 1.2 This report seeks approval to replicate the additional covid related support given to working age CTS claimants in 2020/21 of an additional council tax discount of up to £150.00 per household.

##### **2. Recommendations**

- 2.1 The Joint Strategic Committee is recommended to approve an additional discretionary discount of up to £150.00 per household for working age claimants with the principles detailed in paragraph 4.3.

### 3. Context

- 3.1 As part of the Government's ongoing support to local residents throughout the pandemic, the Government provided the Councils with Council Tax Hardship Funding in 2020/21 which was intended to give each working age household claiming CTS up to an additional £150.00 discount on their Council Tax bill. Where a taxpayer's liability for 2020-21 was, following the application of the current local council tax support scheme, less than £150, then their liability would be reduced to nil. Where a taxpayer's liability for 2020-21 was nil, no reduction to the council tax bill will be available. Any surplus Council Tax Hardship Funds could be used to fund other initiatives aimed at vulnerable residents. It is intended to place any unused funds into reserves at the year end to help fund any additional discounts awarded in 2021/22 and to support discretionary self isolation payments.
- 3.2 The Government announced a new Council Tax Support Grant for 2021/22 as part of Local Government Finance Settlement. The indicative allocations are £111,060 for Adur District Council and £132,980. The County Council will receive approximately £6.6m.
- 3.3 There are no specific requirements connected to the grant regarding the design of local council tax support schemes for 2021/22, which have remained a matter for local discretion. The funding is unringfenced but is provided towards the additional cost of the Council Tax Scheme already incurred in 2020/21, or to be which will be incurred in 2021/22, resulting from an increase in demand for discounts. However in his speech on the local government finance settlement, the Secretary of State was clear that:

‘This helps local authorities to continue reducing council tax bills for those who are finding it hardest to pay.’

So whilst the funding is provided as an unringfenced grant, it has been set aside within the Councils' budgets to fund initiatives to support our most vulnerable residents,

- 3.4 The recent report considered by the Committee titled 'Covid Benefit Measures impact on Vulnerable Residents' highlighted the impact of the pandemic on the residents with the lowest incomes where average Council Tax arrears have increased (Worthing (+16.7%) and Adur (+5.5%)).

#### **4. Issues for consideration**

- 4.1 Working with colleagues in the County Council, an opportunity has arisen to replicate the additional discretionary payment of £150.00 given in 2020/21 which will be funded by the Council Tax Support Grant for both Councils. Members are asked to approve a similar scheme for 2021/22.
- 4.2 The additional Council Tax discounts will support vulnerable working age residents helping these households to minimise debt and stay housed. The additional discount will also ensure that the Council is not collecting small sums from households who struggle to fund these bills at this time, avoiding the need to write off small uncollectable debts.
- 4.3 The Government required that for the 2020/21 scheme
- there should be no need for working age residents in receipt of CTS to make a separate claim for a reduction
  - Whether or not a taxpayer has been affected by COVID-19 (directly or indirectly) should not be taken into account in assessing eligibility for a reduction
- and it is recommended that these requirements be replicated for the 2021/22 scheme.

#### **5. Engagement and Communication**

- 5.1 Officers from the County Council have been involved in developing these plans.
- 5.2 Executive Members and Officers have been consulted on the feasibility of this initiative.
- 5.3 Officers from the Police and Crime Commissioner were also consulted but these payments fall outside their statutory powers and so they are unable to contribute.

#### **6. Financial Implications**

- 6.1 Based on the impact of the additional discount of £150.00 in 2020/21, the cost is expected to be approximately:

	Adur £'000	Worthing £'000
Estimated cost in 2020/21	180	650
Allowance for further growth	10	30
Amount required for 2021/22	<hr/> 190	<hr/> 680
Local Council Tax Support Grant	111	133
Contribution from the County Council	79	547

## 7. Legal Implications

7.1 Section 13A(1)(c) of the Local Government Finance Act 1992 provides that a billing authority may reduce the amount of council tax that a person is liable to pay to such an extent as the billing authority thinks fit.

7.2 Section 31 of the Local Government Act 2003 provides that a Minister of the Crown may, with the consent of the Treasury, pay a grant to a local authority in England towards expenditure incurred or to be incurred by it.

7.3 The Police Reform and Social Responsibility Act 2011 states that a police and crime commissioner may do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of the functions of commissioner.



## **Background Papers**

- Report to the Joint Strategic Committee - Covid Benefit Measures impact on Vulnerable Residents 9th February 2021.
- Local Government Finance Settlement papers  
<https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government/covid-19-funding-for-local-government-in-2021-to-2022-policy-paper>
- COVID-19 hardship fund 2020-21 - Local Authority Guidance  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/919743/COVID-19\\_Council\\_Tax\\_Hardship\\_Fund\\_Guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919743/COVID-19_Council_Tax_Hardship_Fund_Guidance.pdf)

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## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

The proposal is targeted at working age people and families with low income, helping support this group of residents during the pandemic.

#### **2.2 Equality Issues**

Whilst the support is targeted at working aged claimants, this is in light of the more generous CTS scheme for older people which has remained protected by the government.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

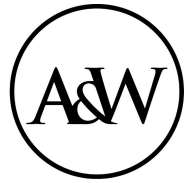
Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

Matter considered and no issues identified.



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30 March 2021  
Agenda Item 9

Key Decision Yes

Ward(s) Affected: Eastbrook Ward

## **Supporting our Communities to Thrive: The Southwick Estate, Whiterock Place**

### **Report by the Director for the Economy**

#### **Executive Summary**

An essential part of supporting communities to thrive is the supply of a good mix of safe and secure housing. Adur District Council recognises this and has made great strides in improving the quality and quantity of stock in the area in recent years.

Crucial to the Council's role of supporting local individuals and families is the role of Adur Homes, the Adur District Council's social housing arm which owns and manages over 2,500 properties. Work to improve its accommodation stock is underway, through an ambitious capital works programme (£20m over three years) and the creation of more than 200 new high-quality sustainable homes (Cecil Norris, Albion Street, garage sites)

One area recognised as in need of investment is the Southwick estate, which is located adjacent to Southwick Train station and Shoreham Port. The site consists of 248 homes (70% tenants / 30% leaseholders) across 15 blocks (13 of which are owned and managed by Adur Homes, 2 are commercial properties owned by others).

A series of capital improvements were scheduled to take place on the estate last year, but were halted due to Covid-19. This has provided Adur Homes with the ideal opportunity to review the estate as a whole and undertake a high level cost analysis of the impact of the works required across the estate.

The Council recognises any investment will take time and will impact on those who live on the area. So before taking any detailed decisions, Adur Homes is committed to engaging with residents, so they are empowered to input into how their home and community looks in future years.

## **1. Purpose**

- 1.1. To update members on a proposed project to work closely with residents on the Southwick Estate in South Southwick to improve housing standards in the area.
- 1.2. To set out the current issues with the properties and how these impact on tenants and leaseholders.
- 1.3. To seek agreement from Councillors to engage with local residents to explore further the various options to improve housing standards in the area and to work with local residents on developing the options set out below for the future of the Southwick Estate

## **2. Recommendations**

- 2.1. Undertake essential and health and safety works to blocks at the site
- 2.2. Approve funding of £140,000 to conduct a procurement exercise to carry out phase 1 of the engagement and options development work on the future of the estate funded from the new development and acquisition reserve and authorise the Director for Communities to enter into any contract for delivery within the approved budget .
- 2.3. Note that following phase 1, a further report will be presented to members to consider project progress and release further funding if necessary.
- 2.4. To approve the acquisition of the land as set out in the exempt appendix 1 which will be funded from the Hidden Homes budget subject to approval by the Executive Member of Customer Services following the submission of a business case report.

### **3. Context**

#### **3.1 Overview of the Estate**

- 3.1.1 The Southwick estate is located adjacent to Southwick train station and comprises of 13 blocks, owned and managed by Adur Homes, across 3 parcels of land as well as 2 commercial properties owned by third parties.
- 3.1.2 Whilst the north of the site and the site itself is predominantly residential, directly to the south lies Shoreham Port, an active commercial port, and Lady Bee Marina which offers contemporary office and retail space.
- 3.1.3 There are currently 248 homes across the estate with c.70% residents and 30% leaseholders.

#### **3.2 Policy and Commitments**

- 3.2.1 Recently adopted documents such as ‘Platforms for Places: Going Further’ and ‘Housing Strategy 2020-2023’ both put local residents and their communities at the forefront of the Councils plans.
- 3.2.2 The Council has set out a clear ambition to create thriving people and communities. The core aspect of this is to provide and foster the necessary infrastructure and conversations for residents to shape their communities.
- 3.2.3 The Housing Strategy in particular compliments this ambition by stating that the Council will enable the right conditions for people to have ‘a secure and safe home, not just somewhere to sleep, and for people to thrive in their community’.
- 3.2.4 The housing strategy also commits to developing a resident engagement strategy and to work more closely with residents ‘promoting involvement and feedback to Adur District Council as Landlord’.
- 3.2.5 Adur Homes owns and manages over 2,500 homes. The vast majority of this stock is in need of significant investment, improvement or redevelopment in the coming years to meet modern standards and to meet local and national Government targets and policy in fire safety and carbon reduction.
- 3.2.6 In recognition of the above Adur Homes have recently reviewed its planned works and committed to spending nearly £20 million over the next three years so that those most in need receive priority work.

- 3.2.7 As part of the above Adur Homes are also committing to a more transparent and open engagement process with residents on the works being undertaken to their homes.
- 3.2.8 The site sits as part of the Shoreham Harbour Joint Action plan (SHJAP). The SHJAP is a strategy for the regeneration of Shoreham Harbour and surrounding areas. The SHJAP was adopted in 2019 and includes proposals and policies for new housing and employment generating floor-space; and for upgraded flood defences, recreational and community facilities, sustainable travel, environmental and green infrastructure improvements.

#### **4. Issues for consideration**

##### **4.1 Current stock condition**

- 4.1.1 The Southwick estate was originally surveyed by external consultants Faithorn, Farrell and Timms as part of Adur Homes' stock condition surveys undertaken between 2016-9. This work noted that significant repair and maintenance work would be required to all blocks on the estate. Works included (but were not limited to) window replacement, fire door replacement, fire safety improvements, flat roof covering replacement, removal and replacement of concrete balconies, structural repairs and repointing of brickwork and refurbishment of internal communal areas.
- 4.1.2 Since the above, fire safety condition reports have been undertaken across Adur Homes' stock which have identified a number of properties which have inner rooms. A programme is currently being devised to prioritise those high risk properties with a view to remodelling those flats that are affected, a number of which are situated on the Southwick Estate.
- 4.1.3 In January 2020 Adur Homes undertook a tender to complete external and communal works at Rock Close and Lock Court. Tenders were received, however the award of the contracts was put on hold in March 2020 due to Covid-19 and the national lockdown.
- 4.1.4 Following tenders being put on hold, Adur Homes commissioned the Technical Services team to review the cost of delivering all of the necessary upgrade works to all blocks on the estate. The brief included the

requirement to upgrade tenanted homes to decent homes standard along with any necessary fire safety works.

- 4.1.5 The Council also commissioned viability consultants, Quod, to undertake an analysis of the costs to ascertain the financial impact on the Council and leaseholders and to ascertain if redevelopment may be a viable alternative to refurbishment.
- 4.1.6 The analysis shows that the total cost for full refurbishment would be substantial and initial estimates indicate that this could be in the region of £23m over the next 5 - 10 years. Some of this cost will be recoverable through leaseholder contributions however this will have a significant impact on leaseholders in terms of costs of the works depending on the block and amount of works required.
- 4.1.7 This substantial outlay would also only ensure properties are brought up to decent homes standards. Whilst there has been some allowance to increase thermal insulation, due to the location and age of the blocks there is no guarantee that these works will be technically possible. In addition, current cost analysis is only based on like-for-like replacement of components and does not allow for improvements for sustainable space heating provision, which will be necessary to meet the Council's net zero target (and to reduce residents' heating bills).
- 4.1.8 Items not currently considered in the refurbishment programme such as electrical works, asbestos management and some roofing elements will require further work to derive a cost estimate.
- 4.1.9. As part of the high level stock review at the Southwick Estate some immediate health and safety work has been identified. Regardless of the next steps in terms of consultation Adur Homes will look to undertake rectification works relating to these identified issues. The need for any Health and Safety works will be kept under review throughout the consultation process.

## 4.2 **Redevelopment as a viable alternative**

- 4.2.1 Due to the possibly prohibitive costs to both the Council and leaseholders and the impact on residents the Council have also commissioned Quod to review an alternative option of redevelopment of the site to ascertain the viability of such option. The outcome of this demonstrates that redevelopment could offer a viable alternative to refurbishment at a cost of around £12.4m (plus the cost of emergency works) however further work

would be required with residents and a wider consultant team to ascertain if a viable and workable solution could be achieved.

- 4.2.2 Further consultation with residents is important to identify the form that any redevelopment option would take and how this could best meet residents' needs. Other options may also exist, such as partial redevelopment, infill development or modification and extension of existing blocks. A consultation exercise will allow residents to understand all viable options and for these to be compared against refurbishment.

## **5. Working with Residents at the Southwick Estate**

- 5.1 Adur Homes have, in the past, been accused of not sufficiently engaging with residents on the capital works being undertaken to their properties. Having crystallised the possible significant and long term impacts to both tenants and leaseholders it is felt that a positive step forward needs to be made in how residents are consulted and engaged with.
- 5.2 The process below sets out a genuine commitment to better engagement and looks to provide residents with the opportunity to help shape the future of where they live.
- 5.3 **Overview of consultation process**
- 5.3.1 It is proposed that the consultation process be split into 3 stages as set out below. It is envisaged that after each stage Officers will report back to members on findings ahead of moving to the next stage. Consultation and engagement on options for the site will look at a range of options from 'do nothing' through to full redevelopment
- 5.3.2 The information below gives an overview of the stages and possible engagement methods. Adur Homes will look to work with the Adur Homes' Management Board to design the consultation process prior to engagement with residents



Stage 1	Introducing the process and the reasons for pausing other major works, understanding general views on the estate, recruiting interested residents for a steering group (supported by an Independent Resident Advisor), setting out Council's guarantees / commitments, sharing a summary of the major works / stock condition challenges with the estate.
Stage 2	In depth options modelling for redevelopment, refurbishment or a hybrid of refurbishment/redevelopment with residents. Technical review of barriers/opportunities of each option and in depth legal review of the site.
Stage 3	Agree a preferred option and submit a formal business case for approval

5.3.3 Consultation will be undertaken using a variety of methods such as:

- Working with a local residents as part of a steering group
- Appointment of an independent resident advisor to help guide residents through the process
- Presentations and Q&A
- Online presence for news and views
- Face to face consultations (where possible)

5.3.4 As part of the process Adur Homes will work with leaseholders to review costs and affordability of the options reviewed.

5.3.5 It is noted that there is some ambiguity on the name of the estate with it often being referred to as different names. As part of the consultation officers will work with residents to ensure that the estate has an agreed identity/name.

5.3.6 The budget requirement for stage 1 is £140,0000. This includes for the appointment of an architect, viability consultant, community engagement consultant and a resident advisor. Staff time is also included in the above.

## **6. Financial Implications**

6.1 The costs of refurbishing the estate are substantial at a minimum of £16.4m over the next 5 - 10 years. The initially tested option to redevelop the neighbourhood at a cost of £12.4m potentially has the benefit of both reducing the overall cost to the HRA whilst improving the quality of homes for both tenants and leaseholders; and increasing the overall supply of

housing in the area. However if the redevelopment option is pursued the Council will still have to fund emergency works of £3.7m on the estate.

- 6.2 Prior to deciding on the most appropriate course of action, additional work will be required to further develop and consult on the options for addressing the level of maintenance required on the properties as set out above at paragraph 5.3.6 at a cost of £140,000.
- 6.3 The initial stage of the project will not be capital expenditure and will require funding as there are no budgets with the Housing Revenue Account to fund this expenditure. However the Council created a Housing development and acquisition reserve to support housing development initiatives. Currently there is £890,000 unallocated in the reserve which can be used to support this project.
- 6.4 Following the outcome of phase 1 of the project, a further report will be presented to members detailing the financial implications of the emerging preferred option.
- 6.5 Contained within the exempt appendix are details of a land acquisition which will either be suitable for redevelopment in it's own right or will be complementary to the redevelopment of the estate if this is chosen. It is proposed that this site be acquired subject to consideration of a detailed business case by the Executive Member for Customer Services. The HRA will need to fund the revenue consequences associated with the acquisition of this site until the site is redeveloped.

	£
Annual debt charges	29,990
Less:	
Rental income	-6,750
Commercial rent income	-5,400
	<hr/>
Net cost to the HRA	17,840
	<hr/>

This is not currently budgeted for within the HRA and will need to be funded from the New Development and Acquisition reserve in the first year, thereafter financial capacity will need to be built into the HRA to fund this cost.

## **7. Legal Implications**

- 7.1 Under Section 111 of The Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 7.2 Section 1 of The Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 7.3 Section 3(1) of The Local Government Act 1999 contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised having a regard to a combination of economy, efficiency and effectiveness.
- 7.4 Section 1 of The Local Government (Contracts) Act 1997 confers power on the Local Authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the Local Authority.
- 7.5 Section 9 of The Housing Act 1985 confers power on the Local Authority to provide, repair and maintain houses for rent.
- 7.6 At Appendix 1 there is an additional document which is exempt under the Local Government (Access to Information) Act 1985 as the information relates to the financial or business affairs of Adur District Council. This

information must be given due consideration and taken into account prior to members reaching a decision.

- 7.7 When entering into a public contract, the authority is required to comply with the Councils' Contract Standing Orders found at Part 4 of the Councils' constitution.

### **Background Papers**

Adur District Council - Housing Revenue Account (HRA) Capital Programme  
2021-2023 (March 2021)  
Housing Strategy 2020-2023 (March 2020)  
Platforms for Places: Going Further (2020-2022)

### **Officer Contact Details:-**

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## **Sustainability & Risk Assessment**

### **1. Economic**

This proposal assists the council in meeting its stated strategic goal of increasing the supply of housing and enabling residents to live and work, at affordable prices in the district.

### **2. Social**

#### **2.1 Social Value**

This proposal is the start of a process which it is hoped will provide social value for those living in the area.

#### **2.2 Equality Issues**

Under Section 149 of the Equality Act 2010 the Council has a Public Sector Equality Duty. This requires the Council to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Adur Homes, as part of the Council, is also subject to this duty. Potential equality related impacts are taken into consideration throughout the Consultation and engagement with residents on options.

Should the scheme progress to the next stage of in-depth consultation (stage 2 onwards) then a full equalities Impact assessment will be undertaken to ensure that this scheme does not unlawfully discriminate against any protected characteristic.

#### **2.3 Community Safety Issues (Section 17)**

There are no specific impacts on crime and disorder.

#### **2.4 Human Rights Issues**

This proposal assists with the right to respect a home for life by providing people with a decent affordable home.

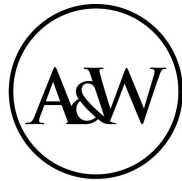
### **3. Environmental**

There are not currently any known environmental impacts however these will be considered as part of the consultation work.

#### **4. Governance**

The proposals in this report are in line with the Councils' Housing Strategy and with its Platform for our Places strategic document.

A delivery Board will be set up to manage and monitor progress of the phase 1 consultation.



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30 March 2021  
Agenda Item 10

Key Decision - No

Ward(s) Southwick

## **Use of s106 Funding to Undertake Essential Repairs to Southwick Football Ground.**

### **Report by the Director for the Economy**

#### **Executive Summary**

##### **1.0 Purpose**

- 1.1 This report recommends allocating £50,000 of the remaining 106 funding secured in connection with the Brighton and Hove Albion Training Ground to undertake essential maintenance and repairs to Southwick FC, Football Ground.
- 1.2 Adur Council has recently taken back the lease for the ground and after carrying out a condition survey identified a number of serious building defects which need to be urgently addressed. Following a marketing process a new tenant has been identified, The Russell Martin Foundation and negotiations are proceeding regarding a new lease for the site.
- 1.3 The report considers the benefits of using s106 to facilitate the early occupation of the site and the scope to pump prime further investment into the site to benefit the local community. The report also highlights the significant benefits to local sport provision with an enhanced facility and the intended use of the site by the Russell Martin Foundation.
- 1.4 The report also provides an update on other projects which have secured funding and the possible use of the remaining funding still available to be allocated to worthwhile projects that enhance sport and leisure activities across the District.

## **2.0 Recommendations**

- 2.1 The Committee agrees to the use of £50,000 towards urgent repairs to the football ground to ensure that it can provide an enhanced sport and community facility and agrees to amend the Capital Investment Programme accordingly; and,
- 2.2 That the decision to enter into the relevant grant funding agreements be delegated to the Head of Planning and Development in consultation with the Executive Member for Regeneration.

## **3.0 Background**

- 3.1 In 2013 planning permission was granted for Brighton and Hove Albion FC (B&HAFC) to build a new First Team Training and Academy Facility on land originally passed to Adur District Council for use as sports pitches. This land was originally transferred to Adur's ownership in connection with the granting of planning permission for an 18 hole golf course on adjoining land. To compensate for the loss of formal open space a s106 agreement was entered into with the Club requiring community use of the new Training Facility and a financial contribution of £1.35 million towards improving sports facilities across the District.
- 3.2 The s106 agreement entered into with the Club provides £700,000 towards the provision of a 3G pitch (Third Generation Artificial Grass Pitch) to include fencing, floodlighting and changing rooms and £650,000 towards the cost of provision/enhancement of other off site leisure facilities in Adur.
- 3.3 Since the grant of planning permission the Club has obtained permission for an additional 3 pitches on land to the east of the training facility (two AGP's and one grass pitch). One of the AGP's is used predominantly as a community pitch and obtained permission for floodlighting. The Community Use Agreement required by the original s106 secures 86 hours of community use of the extended training facility.
- 3.4 A Working Group consisting of the Leader and Executive Members for Regeneration and the Environment was set up following the grant of permission for the training facility to discuss the optimum location of the



off-site AGP and to assess other projects to benefit sport and leisure facilities across the District.

3.5 The Committee, following the recommendations of the Working Group, has subsequently agreed to spend the s106 on the following schemes:

- ❑ Sir Robert Woodard Academy - £705,000 towards the provision of a 3G pitch and CCTV cameras. The pitch has been built and in use but the cameras have not yet been installed.
- ❑ Croshaw Recreation ground changing rooms - £25,000. Clubhouse built.
- ❑ Buckingham Park Pavilion - £150,000. Match funding proposal with Shoreham Rugby Club - funds still being raised for new Clubhouse.
- ❑ Wadurs changing rooms - £100,000 to secure improvements. Works completed.
- ❑ Southwick Tennis Courts £150,000 towards improvements of courts and possible floodlighting. Works completed.
- ❑ Southwick Cricket Club - £10,000 towards the provision of new cricket nets. Completed.
- ❑ Lancing Parish Council for provision of skateboard park - £100,000. Skateboard Park completed.
- ❑ The Globe school contribution to the provision of a covered swimming pool cover - £45,000. Works completed.

3.6 Following the above awards there is **£65,029** unallocated. This has not been allocated up to now pending confirmation of the final costs of the schemes in progress.

#### **4.0 Proposals**

4.1 Following the surrender of the lease for Southwick Football Ground last year a condition survey of the ground has revealed some serious defects with the buildings, floodlighting and boundary walling. The defects have caused serious health and safety issues which has resulted in many parts of the ground not being safe for occupation. Since taking back the site the Council has had to undertake some emergency repairs including the removal of one of the floodlights, removal of the roof on the main stand and provide shutters to close off sections of the site. There have been a number of security issues with the site and ongoing vandalism. As a result there is an urgent need for the site to be re-occupied.

4.2 The lease opportunity has been marketed and following a tender process a occupier has been identified - The Russell Martin Foundation a registered local charity. The Foundation have significant experience of delivering football academies and would be an ideal occupier of the site, ensuring that the site continues to provide a first team pitch for Southwick FC but also provides a wide range of community and health and wellbeing programmes. In particular the Foundation has indicated that it wishes to deliver the following programmes:

- ❑ Deliver initiatives within the community designed to lessen social exclusion caused by the effects of poverty, old age, disablement, health inequalities and economic deprivation;
- ❑ Advance education within communities, including social, physical and vocational training, the provision of training for those unemployed, and adult education;
- ❑ Provide or assist in provisions that are in the interests of social welfare, of facilities for recreation and other leisure-time occupations for those in the community who have special need for them;
- ❑ Promote the health of the community by the provision of facilities for playing football and other healthy sports;
- ❑ Promote good citizenship within the community;
- ❑ Promote harmony between people of different ethnic and cultural backgrounds in the community.

4.3 Recently a tenancy at will has been entered into with the Foundation to allow access to the site and some initial works are underway to improve the pitch but it is clear that a significant investment is required to facilitate the full occupation of the site to enable the above programme of health and wellbeing activities to be offered to the local economy. The use of £50,000 would enable some of the essential repair works such as repairing the leaking roof and removing materials containing asbestos.

## **5.0 Issues for consideration**

5.1 The Working Group has been keen to ensure that a range of projects are supported across the District and that the funding where possible is used as match funding to increase the overall level of investment to support sport and leisure activities. The allocation of £50,000 to improve the Southwick Football Ground would help ensure full occupation of the site and with a lease for the premises the Foundation can apply for external funding from a variety of sources such as the Football Foundation and Sport England as well as pursue other other education and health and wellbeing funding opportunities. The Council's external funding Officer is already working with the Foundation to explore these funding opportunities.

5.2 The earlier the site can be occupied the sooner the Council can reduce its costs in dealing with security issues, paying non domestic rates and the community can start benefiting from the facility. It is therefore considered that the proposal to use s106 for this project would pump prime investment

into the site and help deliver the Foundations proposed programme of sporting, health and wellbeing activities.

- 5.3 If it is agreed to use £50,000 for Southwick Football Ground it would leave £15,029 unallocated. Whilst, there is no need to allocate this remaining amount, it may be beneficial to keep this funding available for the Meads Recreation Ground as a recent consultation with residents highlighted the need for enhancement of the recreational ground, regardless of what improvements are made to the area used by Swiss Gardens school.

## **6.0 Engagement and Communication**

- 6.1 The Working Group has considered the proposal and the Executive Member for Resources has agreed to the granting of a lease to the Russell Martin Foundation.

## **7.0 Financial Implications**

- 7.1 There are no ongoing financial implications for the Council as all ongoing maintenance costs for the Ground would fall to the new tenant.
- 7.2 The Council has £65,000 of S106 receipts from the Training Ground development which remains unallocated. This grant would reduce the remaining total held to £15,000.

## **8.0 Legal Implications**

- 8.1 S1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 8.2 A grant is a gift of funds for specific purposes. The use of the s.106 monies as proposed in this report is not prohibited by any pre-existing legislation and is in accordance with the provisions of the s.106 Agreement entered into with the Club.
- 8.3 The Council may approve an award of grant funding for specific purposes as recommended in this report, although the Council must ensure that the provisions of the grant funding agreement do not create a public contract as defined by the Public Contract Regulations 2015.

- 8.4 The Council must ensure that the arrangement with the grant recipients does not offend the rules against state aids, which prohibit public bodies from favouring certain undertakings and distorting competition and ought to reasonably enquire into any previous aid received by the intended grant recipients and assess each recipients previous grand aid on an individual basis.

### **Background Papers**

s106 Agreement signed with Brighton and Hove Albion FC (AWDM/0205/12).

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## **Sustainability & Risk Assessment**

### **1. Economic**

- 1.1 The financial contribution together with other local fundraising will provide investment into school facilities and help generate funds to maintain the pool in the future.

### **2. Social**

- 2.1 **Social Value** - the provision of improved leisure facilities will enhance educational provision, help develop new skills and promote healthy living.
- 2.2 **Equality Issues** - These have been taken into account by the school and the proposal would include facilities to enable access by all.
- 2.3 **Community Safety Issues (Section 17)** - the proposed has been designed to take into account crime issues and the school has ensured that public access to the school grounds are restricted.
- 2.4 **Human Rights Issues** - any impacts on human rights for those living near the pool were covered through the planning process.proposed

### **3. Environmental**

- 3.1 The covering of the pool would reduce the costs of maintaining the facility and help to retain heat

### **4. Governance**

- 4.1 There are no Governance issues with the proposed funding requests.

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ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30 March 2021  
Agenda Item 11

Key Decision [Yes]

Ward(s) Affected: All Worthing

## **Delivery of Worthing Integrated Care Centre and MSCP on Worthing Town Hall Car Park**

### **Report by the Director for the Economy**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 The report seeks approval of the formal Full Business Case (FBC) for the Worthing Integrated Care Centre (WICC) and Multi Storey Car Park (MSCP) development scheme on Worthing Town Hall Car Park. This will enable contracts and agreements to be executed and for the project to be delivered.

##### **2. Recommendations**

The Joint Strategic Committee is recommended to:

- 2.1. Approve the Full Business Case for the Worthing Integrated Care Centre and Multi Storey Car Park.
- 2.2 Recommend to Full Council to release the full budget for the construction of the integrated care centre funded through borrowing subject to final agreement of the Heads of Terms for the occupier leases, acquisition of Central Clinic and the development agreement (£33,971,000)
- 2.3 Delegate authority to the Head of Major Projects & Investment to:
  - a. To appoint through West Sussex Estate Partnership the most advantageous construction contractor to deliver the WICC and

MSCP.

- b. Execute occupier lease and service level agreements for the occupation of the WICC facility.
- c. Authorise the acquisition of the Central Clinic.
- d. Execute a Development Agreement with West Sussex (Worthing) Limited.
- e. Authorise temporary NHS services to operate in Liverpool Gardens Car Park on the site of the former Shopmobility building.
- f. Agree the acquisition of Shelley Road Medical Centre and Heene Road Surgery, supporting future housing delivery options and subject to business case approval.
- g. Make any further necessary consultancy appointments to execute the delivery of the scheme.

### **3. Background**

- 3.1 At the Joint Strategic Committee meeting of 10th October 2017, members approved a report to progress a health related development scheme at Worthing Town Hall Car Park. The site, owned by Worthing Borough Council, has been considered an underutilised key brownfield development site and the opportunity for development was recognised in the Worthing Investment Prospectus.
- 3.2 A Master Plan for the new facility was initially produced through an options appraisal process. The council set out to develop an Outline Business Case (OBC) to prepare plans for an integrated care centre facility with NHS partners. The proposed development would bring together Coastal West Sussex CCG, Worthing Medical Group, Sussex Community Foundation Trust, and Sussex Partnership Foundation Trust services into one integrated health care facility in the heart of Worthing.
- 3.3 The key objectives of the intervention were to improve the level of care for Worthing residents by enabling more integrated working between different parts of the NHS by co-location, and to provide a significant improvement on their existing accommodation which is dispersed throughout Worthing. The new centre would be the first of its type in Worthing and would deliver significant benefits in care for the local community.
- 3.4 The proposed development being consistent with the strategic direction of NHS England to promote New Models of Care and Integrated Care Systems and 'Platforms for our Places' which set out a commitment to "partner with local health providers to deliver a health hub facility with new models of health provision".



- 3.5 At the Joint Strategy Committee (JSC) on 7 November 2019 the committee approved the Outline Business Case (OBC) for the WICC. The committee further authorised officers to undertake the following next step in the development of the scheme:
- a) Develop the partnership approach including a cost-share agreement.
  - b) Preparation of a detailed design and schedule of accommodation to be agreed by health partners and to receive planning permission for the scheme.
  - c) To identify a suitable property management approach.
  - d) To identify a Preferred Procurement Approach and commence the tender process to identify a fixed cost for the construction and provision of the professional services required to project manage delivery of the project.
- 3.6 Officers were further tasked with developing the Worthing Integrated Care Centre (WICC) and associated Multi-Storey Car Park (MSCP) scheme to Full Business Case and present the report findings to the Joint Strategy Committee.
- 3.7 The project has now progressed to the Full Business Case stage which is attached as Appendix 1. In accordance with the Major Projects & Investment Team's agreed project management process a Full Business Case can be agreed once planning permission has been approved and fixed price tenders have been received. At this stage the project moves from having a "cost estimate" to having an agreed project budget. Having received clear tender prices for a fully approved design, the committee is in a position to assess scheme viability with certainty, and are able to approve the scheme to proceed knowing that the project can be delivered within the agreed budget. This report seeks to agree this business case which approves the scheme to proceed to the construction stage and delegates authority to enable the delivery of the development scheme.
- 3.8 A further report on 9 June 2020 set out approval for the Head of Major Projects and Investment in consultation with the Executive Members for Resources (subject to further due diligence and legal advice) to enter into a detailed project agreement with West Sussex Estates Partnership with associated costs on the terms set out in the LIFTCO Strategic Partnership agreement.
- 3.9 The Covid 19 pandemic has had some impacts on the progression of the project's programme, not only in terms of restrictions the pandemic has placed on managing logistical arrangements for developing a major development scheme but also in terms on pressure our NHS partners have experienced in managing the Covid 19 virus and tackling the Vaccine roll out. Nevertheless, considerable work has been undertaken on the project which is now in a strong position to be delivered.

#### **4. WICC/MSCP Planning Consent**

- 4.1 A number of key tasks were required to prepare the project for planning application submission which included, site investigation and surveys, preparation of a detailed Schedule of Accommodation for NHS occupiers and detailed design development progressing the scheme to RIBA Work stage 4. The council successfully secured planning consent approval on 26th August 2020 to enable the delivery of the WICC and MSCP. The planning consent provides the council with permission to demolish the Central Clinic once acquired. Since securing planning approval the council's project team have been developing its FBC, working through its planning obligations and de-risking the site in preparation for delivery of the scheme.

#### **5. Acquisition of the Central Clinic**

- 5.1 To clear the WICC site and to make way for the new MSCP development it is key for the council to acquire the Central Clinic Health Centre from Sussex Community NHS Foundation Trust (SCFT). The council and SCFT are currently undertaking market valuations for the Central Clinic to enable an agreement to be reached and acquisition of the premises to be finalised
- 5.2 Continuity of services for the Central Clinic will be important after the building has been demolished. These services and staff will therefore be decanted across to Liverpool Gardens car park to operate their services in temporary accommodation for an interim period on the former Shopmobility site (approximately 20 months) whilst the construction project is delivered. Planning consent was required to accommodate these temporary services and this was secured on 10 March 2021. Once the WICC/MSCP has been built and fully operational, the Central Clinic services will then transfer across to the new integrated care centre and the Liverpool Gardens operation will be decommissioned providing additional space to accommodate more parking provision for the car park.

#### **6. Acquisition of Shelley Road Surgery**

- 6.1 The Worthing Medical Group (WMG) who are located at Shelley Road Medical Surgery and Heene Road will transfer their services to the WICC. This will mean that the existing Medical Centre at Shelley Road and Heene Road Surgery will become surplus to requirements and will be placed on the market. A prerequisite for WMG is that they can sell their properties before transferring to the new integrated centre. The council have been given the opportunity to have first refusal by the Medical Group to acquire the properties to ensure that they

come forward in a timely manner. The council intends to prepare a business case which supports the acquisition of these premises, supporting future housing delivery options.

## **7. Invitation to Tender (ITT) - Construction Contract Appointment**

- 7.1 Due to the scale and specialist nature of the project the procurement strategy was agreed as a separate item by the Joint Strategic Committee in June 2020. The report agreed to use its partnership arrangements with West Sussex Estates Partnership to procure and develop the project.
- 7.2 The council and WSEP, have undertaken a pre-selection questionnaire for the WICC/MSCP construction contract to 10 targeted construction contractors with specific expertise in Healthcare construction. Of the 10 selected contractors, 4 were considered suitable to take forward to the full Invitation to Tender (ITT) process. McPhersons, Chartered Quantity Surveyors were appointed to manage and oversee the tender process on behalf of WBC.
- 7.3 A Mid-tender review was held on 28 January 2021 to enable all of the tenderers sufficient time to seek further information and clarifications on the details of the scheme.
- 7.4 All four bidders were required to submit their completed tender packs to McPhersons by the deadline date of 24 February 2021.
- 7.5 A full tender review has now been undertaken by the council. Subject to further clarifications, the council are confident that they have now found a suitable specialist construction contractor from the shortlist to take the development forward to delivery.
- 7.6 On completion of the tender review process the preferred contractor will be appointed to take the scheme forward. The appointment of the contractor will enable site mobilisation to be undertaken to allow commencement of the project delivery in Summer 2021.

## 8. Delivery Programme

8.1 The following target milestones have been set out for the delivery of the project:

Delivery Programme	
ACTION	DATE(S)
Agreed Preferred Bidder	Spring 2021
Award Contract	Spring 2021
Site Handover	Summer 2021
Construction Commence	Summer 2021
Construction Completion	Spring 2023 - 20 months

8.2 The table below charts progress against the industry recognised RIBA Workstages

### RIBA Workstage

<b>Stage 1 to 4:</b>	Complete
<b>Stage 5:</b>	Construction - On and offsite construction activity
<b>Stage 6:</b>	Handover & Close Out
<b>Stage 7:</b>	In Use

## 9. Occupiers of Worthing Integrated Care Centre

9.1 There are 3 key NHS service providers proposed to take occupancy within the WICC. These include:

- Sussex Community NHS Foundation Trust
- Sussex Partnership NHS Foundation Trust
- Worthing Medical Group who have a patient list of over 20,370

In addition to the above NHS providers, Paydens Pharmacy will operate from the centre to serve the community's medical requirements.

9.2 The heads of terms for the occupiers have been drafted and are in the latter stages of negotiation, with contractual agreements being finalised prior to entering into the development agreement with the chosen construction contractor. The council will grant leases of space within the WICC and the

adjoining car park to four separate tenants for terms of 25 years with a contractual right of renewal for each of the tenants. This will ensure security for partners to continue to operate NHS services from within the Civic Quarter for the foreseeable future.

- 9.3 Service level agreements are being prepared with occupiers on behalf of the council by Savills who will act as managing agent for the WICC.

## **10. Development Agreement**

- 10.1 As part of the Full Business Case and through agreement at the Joint Strategic Committee of 9 June 2020 the council have agreed to enter into a development agreement with West Sussex Estates Partnership. West Sussex (Worthing) Limited a special delivery vehicle wholly owned by WSEP will be contracted to manage the delivery of the construction development on behalf of the WBC. This agreement will be executed between the two parties on the appointment of the preferred construction contractor and signed occupier agreements.
- 10.2 The development management fee for West Sussex (Worthing) Limited will be 3% of the total project costs which is estimated to be £968,807 (confirmation on final amount is subject to appointment of preferred contractor) 24% of this fee has already been incurred in preparation of the FBC).

## **11. Multi-Storey Car Park**

- 11.1 The proposed pay and display Multi Storey Car Park (MSCP) essential to service the growing needs of the Civic Quarter and located over 6 floors will accommodate 186 car parking spaces and 36 cycle bays. A further 28 cycle bays will be made available as part of the WICC development.
- 11.2 The parking facility will provide 20% electric car charging ports and will have the capacity to increase numbers as demand increases.
- 11.3 The design of the car park will provide the capacity to include Solar panels as and when further funding is realised.
- 11.4 The parking tariffs, charging hours and operating days for the MSCP will be subject to the statutory procedures under The Local Authorities' Traffic Orders (Procedure) (England and Wales) Regulations 1996 which sets out the procedures to be followed when carrying out a minor or major variation to off street parking charges including the change to the times and days that charging is applicable and the charges in addition to being referred to the relevant Executive Member for a decision.

- 11.5 A number of the spaces will be required to meet our lease arrangements for the WICC building which will ensure a secure and guaranteed level of income for the car park which reduces the Council's financial risk of this new facility.

## **12. Financial Implications**

- 12.1 At the Joint Strategic Committee in the initial business case it was approved with an overall expected cost of £34,069,820. The JSC recommended to the Council to release funding of £600,000 on the basis of this business case subject to the costs being underwritten by the partners via a risk sharing agreement.
- 12.2 Following the procurement exercise the costs are now estimated to be £33,971,000 broken down as follows:

	Medical Centre	Car Park	Total
	£	£	£
Construction costs (including purchase of land)	24,297,770	5,895,610	30,193,380
Professional fees	2,228,310	599,260	2,827,570
Interest	700,000	250,000	950,000
<b>Total project cost</b>	<b>27,226,080</b>	<b>6,744,870</b>	<b>33,970,950</b>

Profiled as follows:

	£
2019/20	402,310
2020/21	1,100,000
2021/22	15,240,530
2022/23	17,228,110

12.3 It is now expected that the occupiers of the new WICC will fund the cost of borrowing through rent of approximately £218.27 per m<sup>2</sup> exclusive of VAT. Based on the latest costs, this will be sufficient to recoup the associated debt charges and will provide the Council with an initial yield of 1.6% on the medical centre. However the final rent is yet to be verified by the District Valuer.

12.4 Overall the current estimated net annual running costs of the two facilities are as follows:

	Medical Centre	Car Park	Total
	£	£	£
Net annual running costs:			
Minimum Revenue Provision	279,290	69,190	348,480
Interest costs at 2.5%	680,650	168,620	849,270
<b>Total debt charges</b>	<b>959,940</b>	<b>237,810</b>	<b>1,197,750</b>
Running costs		84,560	84,560
<b>Total costs</b>	<b>959,940</b>	<b>322,370</b>	<b>1,282,310</b>
Less: Income	-1,394,090	-290,160	-1,684,250
<b>Overall net cost / income (-)</b>	<b>-434,150</b>	<b>32,210</b>	<b>-401,940</b>

In addition to the direct revenue benefit of the project, the Council will also benefit from increased business rate income. However it is not possible to quantify the scale of this benefit yet due to the proposed reform of the business rate retention scheme.

- 12.5 During the construction period the current Town Hall car park will be closed. Consequently the Council will lose £58,770 of parking income (£31,770 from public parking and £27,000 from staff parking). This loss has already been accommodated in the 2021/22 revenue budget.
- 12.6 As part of this project there is an opportunity to acquire property previously occupied by the Doctors surgeries for redevelopment at a cost of around £1.8m. These are currently being assessed as potential sites for the development of temporary and emergency accommodation as part of the Council's strategy for increasing the supply of such housing in the town. Worthing Borough Council currently has a £5.5m unallocated budget for this purpose which can be released by the Executive Member of Customer Services on the presentation of a business case.

### **13. Legal Implications**

- 13.1 Under the Local Government Act 1972 the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 13.2 Section 1 of The Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 13.3 Section 1 of The Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with the discharge of the function of the local authority.
- 13.4. Due to the specialist nature of the project external legal advice is being obtained in respect of the terms and conditions of:-

### **14. Development Risks**

- 14.1 The major risk to the project going forward will be agreeing the commercial arrangements with the future tenants, in a timely manner. Engagement and decision making has been slower than would have been ideal, this is in part due



to the demands that Covid has put on the service. Once agreed final figures will require confirmation by the District Valuer and final approval will need to go through a NHS governance process which can be a protracted process. This poses two risks:

- The potential delay to the overall programme
- We will have to request that the selected construction tenderer retain its commitment to the price and remains available to deliver the project, potentially against an unquantified delay.

### **Background Papers**

- Report to the Joint Strategic Committee 10th October 2017 - Health Related Development on Worthing Town Hall Car Park
- Report to Joint Strategic Committee Meeting 06/11/2018 - Investing in Worthing Town Centre - Approach to Car Parking Provision
- Worthing Town Centre Investment Prospectus 2016
- Integrated Care Centre cost plan - Report on construction costs, 7 November 2019
- Procurement Approach for Worthing Integrated Care Centre (WICC) Development, 9 June 2020

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## **Sustainability & Risk Assessment**

### **1. Economic**

- The project is strategically interlinked with a planned wider investment programme connected with future developments at other key sites in Worthing.
- Redevelopment of the town hall car park for health care building will contribute to the creation of an enhanced civic quarter providing a suitable location for public service consolidation, improved usage of council amenities, an economic boost to existing businesses, and encouraging an increase in investment.

### **2. Social**

#### **2.1 Social Value**

- Development on the existing surface car park would send a positive message to the community, visitors, commuters and business, that change is taking place in Worthing and improvements to Health Care within the built environment will be realised in the near future.
- The existing car park does little to enhance this part of Worthing from road or rail, and its demolition will help to bring forward the redevelopment of this important gateway site to enhance the street scene and act as a catalyst for the regeneration of the wider Area.

#### **2.2 Equality Issues**

- Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

- Matter considered and no issues identified.
- Works will be managed under the Construction Design & Management (CDM) Regulations 2015.

#### **2.4 Human Rights Issues**

- Matter considered and no issues identified.

### **3. Environmental**

- It is intended that redevelopment will bring forward a health centre in a sustainable town centre location and will enable released sites to come forward for suitable redevelopment. Noise, dust and highway obstructions will be kept to a minimum using industry standard techniques, and monitored by the Council throughout the Works

- The project aligned to the council's strategic approach to Climate Emergency.

#### **4. Governance**

- A dedicated project board oversee the governance of the project ensuring:
  - 1) Due diligence
  - 2) Alignment with Council policies and priorities
  - 3) Legal issues and compliance with legislation
  - 4) Risk management including health and safety
  - 5) Statutory approvals
  - 6) Stakeholder management and engagement
  - 7) Change control

#### **5. Sustainability & Risk Assessment**

- All implications associated with any impacts on sustainability are considered through the councils BREEAM assessment which is required to be of an excellent standard to fulfill the requirements of a NHS occupied facility.
- A Risk Register is assessed through the Project Board. Any associated risks are delegated to the Project Team in the form of a risk assessment. This organic document is assessed on a monthly basis.

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ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
30 March 2021  
Agenda Item 12

Key Decision: Yes

Ward(s) Affected: Central Ward

## **Delivering Colonnade House Expansion**

### **Report by the Director for the Economy**

#### **Executive Summary**

##### **1. Purpose**

- 1.1. To update elected members of the progress of Colonnade House and confirm the progress of a planning application to establish a Creative & Digital Hub in the heart of Worthing town centre.
- 1.2. To set out and approve the business case to enable the project to be realised, confirming Worthing Borough Council's strong commitment to supporting and growing the Creative Industries in the town, whilst also providing much needed new housing.
- 1.3. To seek approval to release capital and revenue budgets to enable the project to proceed through to project delivery.

##### **2. Recommendations**

It is recommended that the Joint Strategic Committee:

- 2.1 Approve the business case for Colonnade House set out in this report, to establish an expanded Creative & Digital Hub in Worthing town centre.

2.2 Recommend to Council to approve the creation of the capital budget of £4.050m referred to at Section 7.

2.3 Note that the revenue consequences of the scheme referred to at section 7 will have to be funded from the revenue and accommodated within the Medium Term Financial Plan.

2.4 Delegate authority to the Director for the Economy to enter in all contracts in relation to the scheme subject to the final costs being within the budget released.

### 3. Background

3.1 The expansion of Colonnade House is a key cross-cutting commitment in Platforms for Our Places 2020-22 that aims to develop the creative and digital sectors and skills base. In addition, the scheme (referenced in 1.6.6 and 1.8.9 of Platforms for Our Places) is also identified to support the delivery of ultrafast broadband and the wider ambitions around the digital economy (1.4.3).

3.2 This scheme also supports the Council's 'And Then' ambitions to develop our capabilities to support our micro start ups and micro entrepreneurs in response to the Coronavirus pandemic. Furthermore, with the inclusion of housing this also showcases our ability to create much needed new accommodation.

3.3 Since the inception of Colonnade House as a cultural hub in 2016, the operation has been established as a key creative component of the town centre. In partnership with the Adur & Worthing Trust, Colonnade House has maintained high occupancy levels with the gallery spaces near 100% capacity. Whilst the pandemic has restricted trading, the operation has seen 85% of the tenants retained and the gallery spaces still in demand, in readiness for the easing of restrictions.

3.4 Members will recall previous Joint Strategic Committee reports that highlighted the acquisition of Number 5 High Street as a key step in completing the site assembly to allow the design of a more comprehensive proposition to come forward. Following the acquisition, ECE Architects were appointed to work up an options appraisal, undertake public consultation and prepare final plans associated with the site.

3.5 In November 2020, Members agreed to the submission of a planning application to allow for the expansion of the creative industries but also, critically, the development of new residential units. The planning application was submitted in January 2021 with a determination due in April 2021. This seeks to establish 267sqm of additional commercial floorspace over 4 storeys which will accommodate the following outputs:

- 5 x new studios
- 2 x upgraded studios
- 1 x new cafe
- 2 x creative work spaces
- Meeting rooms, production space and exhibition facilities

In addition the creative aspect the development will provide 344sqm of residential units:

- 2 x Studio Flats
- 2 x 2-3 bed flats
- 2 x 2-4 bed flats

3.6 Finally, the existing Colonnade House has been successful and has established itself as having the ability to grow the creative industries, albeit through its current space limitations. Facilitating the growth of this project will expand an already tried, tested and successful model. The benefits associated with job creation, adding diversity to the high streets provide a strong return on the public sector investment required to deliver this project.

3.7 Sections 4 - 7 provide the business case to enable the expansion of Colonnade House and regenerate a prominent town centre location.

#### **4. Investing in Creative Industries**

4.1 The creative industries have become a key driver of the UK, Coast to Capital, Greater Brighton and Worthing economies and they are recognised nationally as central to delivering a sustainable and successful post-Brexit and post-Pandemic economy because of their high growth characteristics, high export orientation and their resilience to automation.

4.2 Businesses in the sector not only deliver added value in their own right; they also supply other sectors with creative inputs which, in turn, increases productivity and innovation of others. Creative Industries make a significant contribution in terms of placemaking and re-vitalising and diversifying town centres (see 5.1).

4.3 The Creative Industries currently have a disproportionate number of micro-businesses compared with other sectors. This gives the sector a distinctiveness in terms of commercial floorspace and other business support requirements. Despite this, micro businesses in the sector are considered 20% more productive in terms of GVA per worker and they are more important in terms of net job creation than similarly sized businesses in other sectors of the economy.



## **5. Economic Outputs**

### **Diversifying and reinventing the town centre**

5.1 Like the majority of high streets, Worthing town centre is going through a societal change and needs to diversify and provide attractions to draw residents and visitors. The proposed Creative & Digital Hub will help with this agenda by reimagining an area of the town centre that is well located yet requiring attention. The expanded offer builds on the traits of the existing building, however encapsulates the need to create greater activation at ground floor level and increasing the availability of creative space. The design carefully considers the location, especially when considering the 'changing high street' and the need for a mix of uses. The redevelopment of this site showcases the intention by the Council to fully contribute to upgrading the High Street and bringing redundant buildings 'back to life' to support the overall economy.

### **Delivering digital capabilities**

5.2 Whilst the physical building is important, the use 'through the building' is an important aspect to note. With the connection of ultrafast broadband and the inclusion of Citizens Wifi, the intention is for the expanded Colonnade House to become a central point for digital innovation and experimentation. The existing building already houses a number of digital-led businesses, however the expanded offer brings the capability of further digital production. To further extend 'beyond the building' connections will be harnessed with a number of key creative networks and learning providers, including local universities.

### **Increasing job, business and skills creation**

5.3 The extension of Colonnade House will provide job creation and, maybe less known, the ability to deliver reskilling and retraining for Creative Industries through CPD programmes. Based on the additional floorspace a further 39 jobs will be created as a direct result of the project, when all spaces are being occupied. The majority of these jobs will be created through the upgraded and new studio spaces, whilst the ground floor cafe is predicted to generate 4 new full time equivalent jobs. The existing Colonnade House has supported over 100 creative industry professionals, therefore the expansion also has the ability to support indirect job opportunities.

5.4 The existing operation is already a direct home to 13 tenants / businesses on the upper floors of Colonnade House. As per 5.3 the resulting jobs will, in turn, be established through new business creation. Whilst there may be an element of displacement from other areas, notably Brighton, a number of precedents have already been set in terms of business start ups. The most successful of those businesses involved the collaboration between two past tenants, with the new businesses ‘moving on’ to a larger premise.

### **Local procurement**

5.5 The Council is now able to use local procurement to support local businesses with a view to growing the local economy. Spending more money on our own economy will benefit local businesses and local jobs. This will in turn increase spend in the area and the local economy will grow.

5.6 The Council has already set out the direction of this project by the procurement of a local company, ECE Architecture, to design the expanded scheme. A series of consultants, led by ECE, have been recruited from the surrounding areas to enable the business case to be presented.

5.7 Local procurement should be considered on a case-by-case basis as the concept is reasonably new.. There is an argument that a smaller market will produce a less competitive process but this is to be contrasted with the fact that the locality has an abundance of building suppliers capable of carrying out the envisaged work referred to in this report. Additionally, there is data that confirms improving performance of local businesses will also improve competitiveness in the local procurement process.

### **Delivering pathways**

5.8 This project supports and brings to ‘life’ the Councils ambition in “Delivering pathways to Affordable Homes: Developing high quality affordable housing in Adur and Worthing in a post pandemic world”. This agenda, which builds on the Councils Housing Strategy 2020-2023, identifies the need for not just simply building houses, but the delivery of homes enabling our communities to thrive, further our work on sustainability and deliver new skills and local jobs. The residential units contained in the expansion proposal supports this agenda and, due to the proximity, has real potential to create a thriving social hub.

5.9 The Council is constrained by our geography with opportunities being limited for Council-led interventions. In the case of this project, this constraint

has been turned into an opportunity due to the flexible and adaptive delivery approach which allows the Council to make the most of the space available. The integration of residential units into the wider footprint of the Digital & Creative Hub enables a mixed use development in the heart of the town centre.

### **Supporting the cultural and visitor ecosystem**

5.10 A number of reviews, including the Bazalgette Review, identifies a strong link between the creative industries, strong local culture and the development of a vibrant visitor economy experience. Whilst the Creative & Digital Hub may become an ‘attractor’ in it’s own right, especially relating to the gallery spaces and exhibitions, the social value created by the buildings tenants will also add to the town centre experience. An example includes a number of existing tenants supporting local events through audio and visual production. Based on industry benchmarks, the gallery spaces alone are currently generating over 2,500 visits per annum.

## **6. Operating Model**

6.1 The operating model has appraised against a number of scenarios to determine the best direction for the redevelopment. The options identified have been assessed against the financial models (see Section 7) and the overall direction for the Creative & Digital Hub. Sections 6.2 - 6.5 outline the approach to the Creative & Digital Hub; for the avoidance of doubt this includes the new studio spaces, upgraded studio spaces, creative workspaces and cafe. Sections 6.7 - 6.10 highlight the residential options. Currently, the existing Colonnade House operation is a partnership between Adur & Worthing Trust and the Council.

### **Creative & Digital Hub element**

6.2 Option 1: Council Led - this would see the Council being the developer and operator. The Council would still retain the asset and whilst the Council could operate the building there would be the risk that the operation isn’t seen as a community-led asset and independent from the Council, as it is now.

6.3 Option 2: Trust / Charity Led - this would see the Council retaining the asset as the freeholder and a Trust / Charity operating the buildings without any further subsidy from the Councils. Within this scenario a Trust / Charity would be required to pay for the operating costs including staffing and rent.

Based on the financial models below this would be unsustainable for a Trust / Charity.

6.4 Option 3: Partnership Approach - this would see the continuation of a framework between the Council and a Trust / Charity. As the financial appraisal below indicates, the Council would continue to invest in the staff costs and pay a small subsidy, whilst a Trust / Charity would operate the building through being the leaseholder. This approach balances the financial risk for both parties.

6.5 The proposed route is Option 3. Not only does this provide a balanced financial approach, it also provides the greatest economic benefit. A Trust / Charity has the ability to unlock a greater number of partnerships and, in most instances, access to further external funding sources. This model is already established under the current arrangement and Colonnade House has flourished through this partnership approach.

6.6 The Council will procure a Trust / Charity to work in partnership with through an open competitive process to ensure best value. In this instance this would include economic value. The existing relationship will continue with the Adur & Worthing Trust until such time when the tendering process is required to seek a new working relationship with a Trust / Charity. To be clear, this arrangement would be for the Creative & Digital Hub element only, not the residential units.

### **Residential element**

6.7 Option A: Develop and sell - this would see the Council developing the units and then selling immediately at market value. Whilst this approach would provide the project with an immediate cash injection it wouldn't provide a sustainable cash flow position over the longer term.

6.8 Option B: Develop for affordable homes / homes for social rent - this would see the residential units used for affordable housing delivered as per the strategic objectives outlined the Council's Housing Strategy and "Pathways to Affordable Homes" document. Whilst this would provide affordable living, the financial positioning, as outlined in Section 7, doesn't allow for an overall financially viable scheme.

6.9 Option C: Develop for Emergency and Temporary Accommodation - this would enable the Council to discharge it's statutory duties whilst reducing the burden of cost from temporary accommodation. This would also enable

the Council to offer not only housing, but opportunities to connect to our skills and employment support for our most vulnerable residents.

6.10 The proposed route is Option C. This approach serves a number of purposes but this is particularly acute when considering the requirement for accommodation to meet the needs of homeless households who need to be placed in expensive emergency accommodation which is charged at a nightly rate. This demonstrates the Council's commitment to providing well designed homes to support families in need, and not into unsuitable accommodation. A lettings policy will be designed for the units to compliment the overall ethos of the scheme, insofar as potential interactions with the Creative & Digital Hub element as the residential units are self-contained through a separate entrance.

6.11 In summary, the business case is a blended approach of Option 3, a partnership approach, coupled with Option C, developing the residential units for emergency and temporary accommodation. The financial model in Section 7 highlights the finances against all the options that have been considered.

## **7. Financial Implications and Outcome**

7.1 The capital programme includes a budget for Colonnade House of £140,000, this has been used to fund the preliminary costs of the project thus far. The project is now moving on to the next stage for development and the estimated capital cost for the scheme expansion is £4.050m. This cost has been established as part of the design process through ECE Architecture and their team of consultants.

7.2 Three potential scenario options have been considered and appraised for the project. Each option includes the creation of commercial work space units with the variant considerations for the residential element being develop and sell, provision of temporary accommodation and provision of affordable homes. Each option has been appraised under both a Trust managed and Council managed model. A summary of the outcomes are shown in the following table:

Table 1

	Trust Managed			Council Managed		
	Sell	EA/TA	Affordable	Sell	EA/TA	Affordable
	£m			£m		
Capital Cost of Scheme	4.051	4.050	4.047	4.051	4.050	4.047
Capital Funding*	-0.089	-0.089	-0.257	-0.089	-0.089	-0.257
Net Revenue Impact over the first 10 operational years*	1.636	0.078	0.684	1.867	0.267	0.738

\* Includes the use of economy revenue reserves (£48,189 Revenue, £89,048 capital)

7.3 The most financially viable option provides commercial workspace opportunities managed by a Trust and the provision of 6 residential units for use as temporary/emergency accommodation. This scheme proposal has a capital cost of £4.050m and an average revenue cost of £7,800 per annum over the first 10 years of operation. The capital and revenue costs are broken down further in the following sections:

#### 7.4 Capital

Table 2 - Capital costs

	2021/22	2022/23	Total
	£	£	£
Estimated Construction costs	1,027,923	2,015,845	3,043,768
Allowance for Optimism Bias	253,647	507,293	760,940
Right to Light	50,000	0	50,000
Overage	33,333	66,667	100,000
Capitalised interest	15,950	79,580	92,440
Total capital costs	1,380,852	2,669,386	4,050,238

7.5 The total capital cost includes a number of key elements, firstly in relation to progressing the scheme to a 'ready site'. Contained within the

£4.050m are allocations for asbestos removal prior to demolition and then the demolition itself. Capital reserves of £89,048 have been earmarked to be used to meet some of the capital expenditure with the remaining £3.961m met from borrowing. Opportunities for external funding are being explored, any such funding would reduce the overall need to borrow if attained.

7.6 The total cost also includes the development of the expanded Colonnade House on the original footprint of Number 5 - 7 High Street and 52 Ann Street. This includes the knitting together of the existing building and the new building into one comprehensive operation. The fit out costs of the new building are also included.

## 7.7 Revenue

Table 3 - Revenue costs

	Construction Period		First 10 years of Operation
	2021/22	2022/23	2023/24 to 2032/33
	£	£	£
Debt charges	0	0	605,251
Staff costs	91,987	93,622	1,066,554
Lease termination costs	18,000	0	0
Income from Trust	-20,000	-20,000	-684,124
Net income/saving on EA/TA provision	0	0	-861,632
Total net costs	89,787	73,622	124,049
Revenue reserve funding	0	0	-48,189
Net Total after funding	89,787	73,622	77,860
Average annual cost to Council			7,786

7.8 As highlighted in table 3 at section 7.7 the proposed options require a net subsidy of £7.8k per annum after the use of revenue reserves. This is an average amount over the initial 10 years of post development operation. During the construction period there will be ongoing revenue costs associated

with the existing operation, any additional pressure will need to be met from existing budgets.

7.9 The scheme model is based on a number of assumptions;

- 85% occupancy rate for the workspace units
- 25% allowance for optimum bias on the capital costs
- 2.5% interest rate over a 40 year loan period
- 2% inflation rate per annum for income and costs
- No external funding (although opportunities will continue to be explored).

7.10 The appraisal of the proposed scheme incorporates the overall impact on revenue for the Council and as such will cut across different service departments. The £7,786 average annual subsidy cost includes an allowance for the associated savings to the Council from the increase in available units of temporary accommodation from the scheme. Any increase in council supply reduces the need to source often expensive external supply, and this saving will be seen within Housing Services. The ongoing running cost of the new residential units plus the associated Local Housing Allowance income will also form part of the Housing Services budgets once they are in use. The budget for the commercial element of Colonnade House sits within Place and Economy.

## **8. Engagement and Communication**

8.1 The redevelopment of Colonnade House is identified in a number of strategic documents, including Platforms for Our Places. Members will recall a number of Joint Strategic Committee Reports where this project has been referenced, whether directly or indirectly.

8.2 The project has also been a standing item on the Colonnade House Management Group for the last 18 months. The Group, made up of the Adur & Worthing Trust (leaseholder) and Worthing Borough Council (freeholder) representatives, have discussed the approach and the requirement to build on the successes of the current operation.

8.3 In late 2018, led by the Colonnade House Management Group, surveys were undertaken with those businesses and freelancers who have occupancy in the current building, as well as who used the facility. A series of prompt questions were housed in the main gallery for a number of weeks that allowed for ideas and thoughts to be generated on the 'future needs of an expanded Colonnade House'. This pre-consultation was open to the general public and



attracted over 100 views and inputs. This pre-consultation further influenced the specification of the proposed development and provided detailed insights into the requirements of an expanded operation.

8.4 During 2019, the Council engaged the existing tenants (those in Number 5 and 7 High Street and 52 Ann Street) as part of the pre-consultation process. Officers held individual discussions with the existing tenants of the buildings to outline the vision for the scheme. Whilst the pandemic has interrupted these communications the existing businesses have been kept informed of the progress of the project. During the process two out of the five businesses have relocated.

8.5 In late 2019, further pre-consultation was undertaken with key stakeholders which included the Adur & Worthing Trust (existing leaseholders) and the Worthing Society. This consultation provided positive input into the design of the proposed building. Both were made aware of the poor state of repair and the Council's aspiration to redevelop.

8.6 Following the pre-consultation exercise, the plans were the focus of a formal stakeholder consultation in January 2020 and a public exhibition held on 14 January. Members of the public also had the ability to complete an online consultation questionnaire. The consultation exercise gathered over 100 responses.

8.7 After taking inputs from the previous consultation exercises between 2018 - 2020, the Council worked with ECE Architecture to design and deliver a planning application in January 2021 that responded to the feedback (e.g. the introduction of a cafe on the ground floor), whilst providing the design layouts to enable a business case to come forward. The planning application detailed those new spaces and uses in the expanded Creative & Digital Hub which has contributed to providing the financial model detailed in Section 7. The planning application submission was heavily promoted by the Council and Colonnade House to generate as much interest in the project as possible. This included through social media with a reach of nearly 8,000 people.

8.8 An Officer team was set up to guide the work of ECE and project manage the delivery of the project. This cross departmental team continues to oversee the project and includes expertise from Place & Economy, Finance and Legal services, all driven by an assigned Project Manager from Major Projects & Investment.

8.9 The consultation has included a number of timescales, including the previous JSC report in November 2020. The latest timetable that has been highlighted to key stakeholders is as follows:

Key Milestones	Delivery Timeframe
Business Case	March 2021
Planning Application Outcome	April 2021
RIBA 4 Sign Off	Summer 2021
Procurement/Tendering	Summer/Autumn 2021
Contract Award	Autumn 2021
Mobilisation and start on site	Winter 2021/2022
Completion	Spring 2023

## 9. Legal Implications

9.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.

9.2 s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation

9.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

9.4 s1 Local Government (Contracts) Act 1997 confers power on the Council to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the Council.

9.5 When entering into a public contract, the authority is required to comply with the Councils' Contract Standing Orders found at Part 4 of the Councils' constitution. Where the Contract is an above threshold contract for goods and/or services as defined by the Public Contract Regulations 2015 any procurement exercise to

contract for those goods and services must be conducted in accordance with those Regulations which is retained law by virtue of s29 of the European Union (Future Relationship) Act 2020.

9.6 Section 9 of The Housing Act 1985 confers power on the Local Authority to provide, repair and maintain houses for rent.

9.7 Paragraphs 5.5 - 5.7 in this report refers to Local Procurement:-

The Cabinet Office PPN 11/20, enables the Council to reserve a below threshold procurement process to a specific supplier location, specifying that suppliers located only in the specified geographical area can bid. Supplier location should be described by reference to where the supplier is based or established and has substantive business operations, not by location of corporate ownership.

In addition to specifying location, the procurement may be reserved for Small and Medium sized Enterprises (SMEs) / Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid.

PPN 11/20 confirms that when carrying out a local procurement, the Council should ensure value for money; assess the sector / market; identify and manage associated risks, including fraud and corruption; ensure a budget is available and approved at an appropriate level; use suitable model contracts; develop simple and proportionate KPI and data reporting mechanisms; undertake supplier due diligence checks; ensure final approval is obtained at an appropriate level(s); keep suitable records of commercial decisions; publish transparency notices on Contracts Finder as appropriate in a timely manner and must continue to comply with the legal requirements in Chapter 8 of the Regulations applicable to below threshold procurements.

## **Background Papers**

- [Colonnade House Digital Hub - JSC Paper 10.04.18](#)
- [Public Consultation Design Boards - January 2020](#)
- [Supporting the Creative and Digital Sector \(Colonnade House Expansion\) - JSC Paper 03.11.20](#)
- [Colonnade House Planning Application - AWDM/0141/21](#)

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## **Sustainability & Risk Assessment**

### **1. Economic**

- The development of a Creative Industries Hub accords with the Adur and Worthing Economic Plan 2013 - 2023 where the Economic Priorities are named as Support Business, Develop Growth, Enhance Business Environment, Advance Local Skills, Encourage Sustainability and Promote Health and Wellbeing. The Economic Plan also states “It is vital that Adur and Worthing provides foundations for business to operate effectively” and promotes the following aims:
  - Support Business
  - Develop Growth
  - Enhance Business Environment
  - Advance Local Skills
  - Encourage Sustainability
  - Promote Health and Wellbeing

### **2. Social**

#### **2.1 Social Value**

- Conditional disposal and redevelopment of the site with mixed use will enhance the town and help to support the economic prosperity of the Borough.

#### **2.2 Equality Issues**

- Designing spaces that are inclusive and safe, especially in response to the night-time economy is vital. This development will reinvigorate an under-utilised part of the town centre.

#### **2.3 Community Safety Issues**

- The pro-social activation of the high street is essential for community safety.

#### **2.4 Human Rights Issues**

- To enable the project to be realised there will be a number of lease terminations required. Whilst the works are underway there will also be disruption to the existing tenants in Colonnade House.

### **3. Environmental**

- Redevelopment of the site will improve the character and appearance of this part of High Street and the eastern access to the town centre by redeveloping the existing dilapidated buildings with a high quality design.

#### **4. Governance**

- An internal officer board consisting of representatives from key departments, essential to successful delivery, has met and reviewed the programme at key stages of the project.

By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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