



WORTHING BOROUGH
COUNCIL

Worthing Joint Strategic Sub-Committee
5th December 2023

Key Decision [Yes/No]

Ward(s) Affected: Central
Cabinet Portfolio: Housing & Citizen Services

Redevelopment of 5&7 High Street to provide Emergency and Temporary Accommodation (EA/TA)

Report by the Director for Housing & Communities and Director for Place

Officer Contact Details

Johanne Thompson, Development Manager
Jo.Thompson@adur-worthing.gov.uk

Executive Summary

1. Purpose

- 1.1. The report seeks approval for the refurbishment and extension of the Council owned property at 5-7 High Street and 52 Ann Street, Worthing to provide emergency and temporary accommodation (EA/TA) and requests a budget to complete the redevelopment of the site.
- 1.2. The recommendations support the Council's ambition to directly deliver homes for EA/TA and, if approved, will make a contribution towards the achievement of the targets set out in the Adur and Worthing Housing Strategy for 2020-2023, 'Delivering Pathways to Affordable Homes' document and subsequent Delivery Plans.
- 1.3. This report examines the increasing demand for EA/TA in Worthing, the Council's commitment to owning its own stock of EA/TA, and reviews the options available to the Council for the future of the buildings. It identifies a Preferred Option (2) which entails the retention of the facade of both buildings, demolition of the rear extensions and reconfiguration of the building into EA/TA flats. This

option is the most economically viable and will help meet local housing needs.

- 1.4. The report also notes the continuation of Colonnade House as an economic contributor as well as the adjoining commercial / retail units. The introduction of temporary accommodation at 5-7 High Street will ensure all buildings have an 'active use' in this part of the town centre.

2. Recommendations

- 2.1. Subject to the Director for Place being satisfied (in consultation with the Cabinet Member for Resources) that the overage provisions referred to in this report do not apply to the proposed preferred option and receipt of Homes England Funding referred to at paragraph 2.2 below, to approve the Preferred Option (2) to convert the buildings at 5 and 7 High Street and 52 Ann Street into EA/TA for the reasons outlined within this paper and to enable the council to fulfil its statutory housing duties under S188 and S193 of the Housing Act 1996.
- 2.2. To approve a budget of £1,745,300 from the unallocated temporary and emergency accommodation budget to deliver the project, alongside anticipated funding of c.£600,000 from Homes England
- 2.3. To delegate authority to the Director for Housing and Communities to invite tenders for the construction work, and to enter into all necessary contracts to enable the project to progress through the construction phase right through to completion.
- 2.4. To note the continuation of the commercial / retail uses to the south, including Colonnade House, as the adjoining buildings.

3. Context

- 3.1. No's 5 and 7 High Street are two townhouses located on the north western corner of Steyne Gardens in Worthing to the north of Warwick Street. No. 5 High Street was acquired by the Council from West Sussex County Council on 24 July 2019, while No. 7 High Street has been in the Council's ownership for many years. The buildings consist

of small commercial premises with many of the rooms boarded up due to fire damage and concerns around asbestos, and are currently unoccupied. The property located at 52 Ann Street (to the rear of 7 High Street) is also owned by Worthing Borough Council and is currently occupied on a meanwhile / temporary use basis.

- 3.2. The Deed of Transfer for No. 5 High Street contains an overage clause. The interpretation of our Legal Team is that overage will only apply in the event that No.5 is comprehensively redeveloped but it will not apply if the building is retained and refurbished.
- 3.3. The redevelopment of this collection of buildings was the subject of a planning application (AWDM/2309/21) which sought full planning permission for the demolition of 2-7 High Street and 52 Ann Street adjacent, to create a mixed-use development comprising 5 no. residential flats with roof terrace, a new Digital and Creative Hub consisting of office and meeting room space, reception areas, art studios, exhibition space, cafe facilities, and associated cycle parking and waste storage facilities at the site of Colonnade House. The application was approved in February 2022.
- 3.4. Since then, due to increased costs of construction and higher interest rates, the consented scheme has become unviable to deliver. With both demand and costs rising for placements of households into temporary accommodation, both Members and officers were keen to explore decoupling Colonnade House (and adjoining commercial / retail units) and its associated uses from the redevelopment of no. 5 and 7 High Street and 52 Ann Street to see if this would have a favourable impact on viability. Three redevelopment options have been considered in Section 4 of this report ranging from basic internal refurbishment to the wholesale demolition and new construction of EA/TA units.
- 3.5. It should be noted that the decoupling of these two elements (housing and commercial / retail) increases the viability and deliverability of both uses in the current economic climate. Whilst this paper is focused on the release of funding to deliver EA/TA, it is important to recognise that the Council continues to support the retention of the adjoining commercial / retail units on the ground floor. It also provides ongoing support for cultural activities within Colonnade House, in partnership with the Adur & Worthing Trust, which has become a successful Creative / Cultural Hub serving both as a gallery (ground floor) and a

home for creative businesses (in the upper floors). The gallery spaces have proved very popular since inception with up to a 12 month waiting list whilst the upper floors haven't dropped below 80% occupancy to local businesses over the same period. This is a vital element in the delivery of the Council's commitments to harnessing and growing the cultural sector.

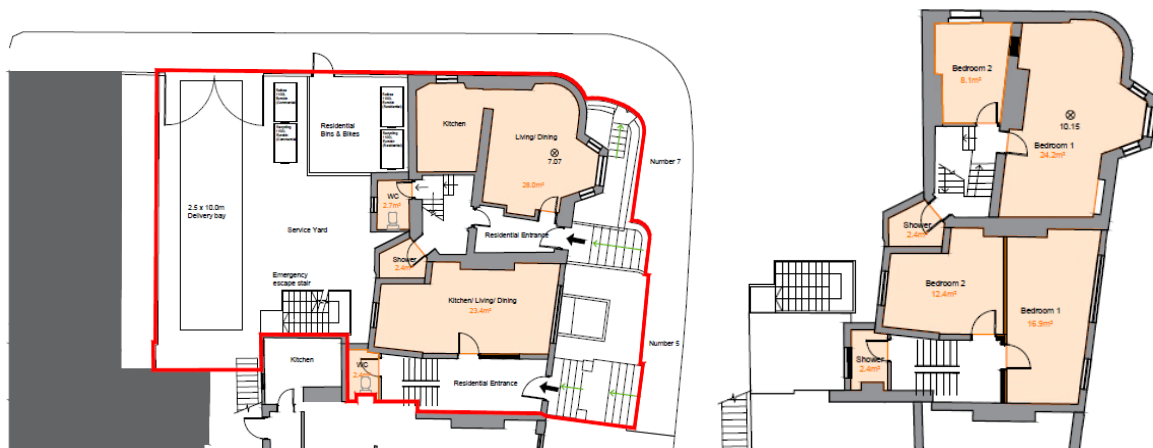
- 3.6. There is also overwhelming endorsement of the Council's approach to redeveloping this site into EA/TA, contained within several key housing policy documents. Chapter 3 of the Housing Strategy outlines the local need for affordable housing, in the context of increasing house prices and rents. Based on demographic projections, it identifies a need for 653 additional affordable dwellings (of all tenures) per annum across the region.
- 3.7. Priority 3 of the Housing Strategy demonstrates the Council's commitment to achieving its affordable housing targets, including a commitment to the direct delivery of 50 homes for EATA by Worthing Borough Council. This commitment is reiterated in 'Delivering Pathways to Affordable Homes' which was adopted in March 2021.
- 3.8. Since April 2021, placement of households in emergency accommodation (EA) and temporary accommodation (TA) has increased by 35%, from 215 to 329. Currently the Council has 200 rooms secured on a long lease, with 137 placements spot-booked (i.e. the most expensive type of accommodation). Most recent projections suggest that the number of EA/ TA units needed will be around 459 by March 2025. Without securing our own stock of EA/TA (whether owned or leased), this additional requirement will need to be accommodated through spot-booked accommodation, potentially outside the Adur and Worthing local authority area.
- 3.9. In addition, the cost of providing EA and TA accommodation continues to rise. Net average annual cost per placement is currently £9,150, which represents a year on year increase of 13%. Consequently, considerable savings are possible if the Council expands its own stock of EA/TA as proposed in Preferred Option (2).

4. Issues for consideration

- 4.1. During summer 2023, the Council's Development Team modelled three different options for the provision of EA/TA on the site, jointly with local architects (ECE) and cost consultants (MacConvilles). ECE Architects were chosen because they were the Lead Architect for the Planning Consented scheme and were already familiar with the site and its constraints. Similarly, MacConvilles produced some of the initial cost reports for the Consented scheme, it therefore seemed appropriate that they undertake the costing of the latest options.
- 4.2. Three development options were modelled, including:
 - a) Reconfiguration of internal spaces to provide shared accommodation (HMOs)
 - b) Light demolition works to reconfigure internal spaces and provide a new central core to provide self-contained accommodation
 - c) Full demolition works and construction of a brand new building to create self-contained apartments
- 4.3. **Option (1) - Reconfiguration of internal spaces into HMOs**
 - 4.3.1. This first option is the least intensive of all the options in terms of construction and demolition works and would be the speediest to deliver.
 - 4.3.2. Works would entail the removal of internal walls to open up the space within the building in order to provide private rooms with shared facilities.
 - 4.3.3. The floorplates of the buildings are slim. As a result, converting the existing building would not allow the provision of full, self-contained units as well as a stair core. Instead, the existing stair core would be reused in both buildings.
 - 4.3.4. Both townhouses would be converted into two separate HMOs with shared living and dining rooms, kitchen and bathrooms on the ground floor and 6 self-contained bedrooms on the first, second and third floors. Storage for both HMOS would be provided in the basement.
 - 4.3.5. The delivery bay to the rear of the building would remain in-situ and bins and bike stores would be provided in the yard.

4.3.6. Indicative ground floor and upper floor plans are provided in Fig 1.

Fig 1 - Option (1) Floor Plans



4.4 Option (2) Light demolition works, reconfiguration and new extension to provide 8 EA/TA self-contained flats

- 4.4.1 This is the Council's preferred option.
- 4.4.2 Two surveys would need to be carried out to ascertain how much asbestos is contained within the fabric of the buildings and whether the fire damage caused to No. 5 has made the building structurally unsound. Works would then be carried out to remove the asbestos and ensure structural integrity.
- 4.4.3 The rear extensions to the buildings would need to be demolished and a new extension built to accommodate the stair core and allow for a better configuration of the internal layouts of the flats.
- 4.4.4 The basement would be infilled and 8 self-contained flats created (4 x studios and 4 x 1 bed 2 person).
- 4.4.5 The delivery bay to the rear of the building would remain in-situ and bin and bike stores would be provided in the yard.

4.4.6 Indicative ground floor and upper floor plans are provided Fig 2.

Fig 2 - Option (2) Floor Plans



4.5 Option (3) Demolition of all buildings on site and construction of a new block of 10 flats

4.5.1 This option would require surveys to be conducted of a similar nature to Option (2) i.e. structural and asbestos etc. followed by the demolition of Nos. 5 and 7 High Street, Worthing, as well as their associated outbuildings.

4.5.2 This would facilitate the construction of 10 new flats (6 x studios, 1 x 1B2P, 3 x 2B3P).

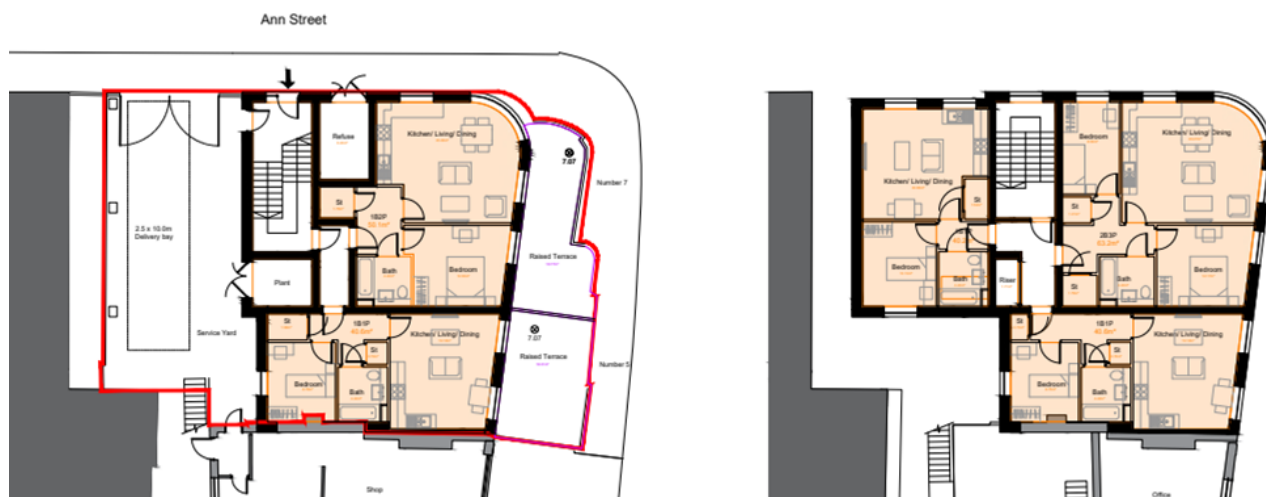
4.5.3 The retention of the basement is proposed but this could be infilled, if necessary.

4.5.4 The form of the new building would broadly replicate ECE Architect's previous Planning Consented scheme.

4.5.5 An undercroft from Ann Street would be created to facilitate access to the service yard and would have 2 storeys of accommodation above.

4.5.6 Indicative ground floor and upper floor plans are provided Fig 3.

Fig 3 - Option (3) Floor Plans



4.6 Table 1 provides a financial comparison of the options. Although Option 1 is the cheapest and would require less borrowing, the non-self contained units (i.e. bedrooms within a HMO) are unlikely to be eligible for Homes England subsidies even under its Specialist Funding programme. This is because Homes England specifies a minimum of 11 sq m per bedroom and a maximum of 3 persons sharing one bathroom. The current design drawn up by ECE Architects breaches both of these requirements. Achieving a compliant HMO design would lead to the loss of the 4 undersized bedrooms which would negatively impact on the cost per unit.

4.7 Option 1 would also not benefit from Brownfield Land Release Funding (BLRF) which is targeted at the delivery of self-contained residential units. Eligibility for BLRF is critical for buildings of this kind which are subject to concerns around asbestos and fire damage and often require specialist contractors to make them safe for development. Without this type of grant funding to support the enabling works package, this Option is unlikely to be viable. According to the council's latest Housing Needs Assessment, the need for this type of accommodation is also not as great as self-contained residential units like those proposed

under Options 2 and 3. For these reasons, Council officers have discounted Option 1.

Table 1- Financial Comparison of Options

	Units	Cost (inc 30% OB*)	HE Grant	Borrowing	Cost per unit
Option 1 - Light refurbishment	12 bedspaces	£1,607,900	£0	£1,607,900	£133,992
Option 2 - Refurbishment & extension (Preferred Option)	8 s/c	£2,345,300	£600,000	£1,745,300	£218,163
Option 3 - Demolition & new construction	10 s/c	£3,039,000	£750,000	£2,289,500	£228,950

NB - OB stands for "Optimism Bias". 30% of total scheme scheme cost is the usual risk contingency set aside by the AD for Finance for construction projects of this kind.

- 4.8 Option 2 is the Council's Preferred Option for the reasons summarised in Table 2. It entails the retention of both buildings and conversion into 8 self-contained flats and is currently eligible for Homes England subsidies and Brownfield Land Release Funding (BLRF) under the terms of their grant conditions. The cost per unit is approximately £218,000, due to the high costs associated with the surveys and subsequent remedial work which would have to be undertaken to ensure that the buildings are safe enough to undergo redevelopment. Future proofing these buildings in the heart of the town centre and ensuring that they are brought back into active use is a key priority for the Council and will also fulfil its commitment to Circular Economy principles.

Table 2 - Advantages and disadvantages of each option

	Pros	Cons

Option 1 - Light refurbishment	<ul style="list-style-type: none"> • Simplest to deliver • Lowest impact on surroundings • Aligns with carbon, circular economy and heritage objectives • Overage does not apply 	<ul style="list-style-type: none"> • Doesn't meet local housing needs • No Homes England grant • Highest maintenance costs • Smallest no. bed spaces generated
Option 2 - Refurb & extension	<ul style="list-style-type: none"> • Future-proofs existing building • Meets housing need • Aligns with carbon, circular economy and heritage objectives • Eligible for Homes England grant • Overage does not apply 	<ul style="list-style-type: none"> • Retaining existing building poses risks
Option 3 - Demolition & new build	<ul style="list-style-type: none"> • Delivers the most units • Lowest maintenance costs • Eligible for Homes England grant 	<ul style="list-style-type: none"> • Most expensive option • Most difficult logistically • Loss of character buildings • Overage needs to be paid

- 4.9 In recognition of the poor state of repair of both buildings, a liberal allowance has been made for professional fees and project contingency in the viability assessment that has been undertaken by the Chief Finance Officer.
- 4.10 Although the results show a slight loss in the first year of around £5,500, significant savings are made from Year Two onwards, with the average annual saving in the region of £44,000. By the end of the 40 year loan period, the Council will have realised in the region of £1.8m of savings which would have otherwise been paid out on B&B accommodation, as well as providing the Council with a useful and valuable asset.
- 4.11 The development team is likely to apply for Brownfield Land Release Funding of around £50,000 once Round 3 is launched in January 2024. If successful, the viability assessment will be improved with a reduction in the first year loss. To date, the council has experienced a very high success rate with all of the projects it has bid for from the OPE.
- 4.12 In the event that the Structural survey results reveal that there are substantial issues with the buildings which mean that they cannot be retained, then the Council will explore Option 3 (Comprehensive

Redevelopment) further and bring a Committee Report back to JSC. Not surprisingly, Option 3 is the most expensive and least viable of all of the Options at this point in time. The results of the viability assessment reveal that it would take five years before the development would start to see a return on investment. However, if this Option were to be successful in securing BLRF, the viability of the project is likely to improve. It also has the advantage of having been the subject of a Planning consented scheme which could be slightly modified and re-submitted to reflect the additional units that would be realised on the ground floor.

5. Engagement and Communication

- 5.1. The Preferred Option 2 has been explored and agreed in consultation with the Council's Chief Finance Officer, following a thorough review of the funding options available to subsidise the scheme, including Homes England funding.
- 5.2. The legal position concerning the Overage to be applied to No. 5 High Street is currently being explored with West Sussex County Council to ensure that the Council's Legal Team's interpretation of the Overage clause within the Deed of Transfer the same as that of West Sussex County Council's legal team i.e. overage does not apply to the Preferred Option. Once this is determined, officers will be able to proceed at pace to appoint consultants to undertake the surveys and more detailed design work required to deliver this option.
- 5.3. A meeting was held with Cabinet Members to brief them on the various development options. They expressed full support for the Preferred Option 2 on the proviso that the survey results were favourable. If not, Cabinet Members expressed a desire to see Option 3 worked up into more detail so that it can be considered at a future meeting of JSC.
- 5.4. Conversations have also taken place with Homes England and the OPE who have indicated that it is highly likely that the Preferred Option will attract subsidies and grant funding. If the recommendations are endorsed, then bids will be submitted to both Homes England and BLRF Round 3 in the near future.
- 5.5. A letter has been sent to all businesses in advance of the JSC meeting on 5 December to brief them on the Council's decoupling strategy

contained in this report as well as the Council's capital bid to the Arts Council to improve Colonnade House. The letter reassures them that the Council will continue to support the cultural and arts sector.

6. Financial Implications

6.1. The Council currently has an unallocated budget of £3.2m for the provision of temporary and emergency accommodation. Schemes against this budget are considered as invest to save on the basis that the proposals meet the cost of borrowing either directly through funding and/or savings within the general fund.

6.2. It is expected that this scheme will attract Homes England Funding of £600,000 (£75,000 per unit).

6.3. Overall the scheme is expected to cost £2,345,300 which can be broken down as follows:

Build Cost	£1,631,000
Fees	£225,000
Allowance for optimism bias (30%)	£489,300
Total Proposed Budget	<u>£2,345,300</u>

6.4. The proposed scheme is expected a loss of £5,573 in the first year of operation, with an additional cost to the General Fund, as follows:

	Proposed refurbishment	Bed and Breakfast
Total debt charges	£108,770	
Maintenance	£16,320	
Insurance	£4,080	
Staff management	£12,780	
Bed and Breakfast charges		£139,600
Total Costs	<u>£141,950</u>	<u>£139,600</u>
Income	(£52,880)	(£52,880)
Allowance for Voids	<u>£3,220</u>	

Net Cost	£92,290	£86,720
Net additional cost		£5,570

6.5 In the longer term, it is expected that the proposed development will save council resources, with average annual savings of £44,465 over 40 years.

	Net cost / income(-) over 40 years	NPV over 40 Years Cost/ income (-)
Purchase for Temp Accommodation	£3,459,060	£723,245
Current B&B arrangements	£5,237,670	£3,011,428
Annual saving		
Average annual saving over appraisal period	£44,465	
% revenue saving	34%	
Saving over 50 Years build compared to B&B	£1,778,610	

6.6 The savings set out are on the assumption the Council does secure Homes England funding and that there are no overage liabilities associated with the refurbishment option. A further proposal would need to be prepared for consideration should either the funding not be allocated or the overage risk crystallises.

Finance Officer: Emma Thomas

Date: 23/11/2023

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 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.

- 7.3 S1 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
- 7.4 The grant funding must be spent by the Council in a way that does not breach the funding terms and conditions or create any unlawful state aid to any commercial undertaking.
- 7.5 In procuring for a preferred developer, the Council is required to follow a lawful process as required by its Contract Standing Orders and have regard to the Public Contract Regulations 2015 and the Concession Contracts Regulations 2016. All the terms of the proposed arrangement are to be set out in a fair and transparent manner to all potential bidders.
- 7.6 In effecting the redevelopment of the site, the Council may incur liability to WSCC to pay an overage payment to them and officers are in the process of ascertaining whether such a payment will be incurred and if so, the amount.

Legal Officer: Joanne Lee

Date: 24/11/2023

Background Papers

- Delivery of housing for Emergency & Temporary Accommodation - South Street, Lancing - JSC - 7 June 2022
- Adur & Worthing Councils Housing Strategy - 2020-2023
- Delivering Pathways to Affordable Homes (March 2021)
- Pathways to Affordable Homes - Delivery Plans (March 2022)
- Strategic Housing Land Availability Assessment (SHLAA, 2022 Update)

Sustainability & Risk Assessment

1. Economic

The Preferred Option will entail the use of Right to Buy capital receipts which, if unspent, the Council would have to return to Government. The procurement of a local main contractor, together with their subcontractors, will also have a positive impact on the local economy through the multiplier effect.

It should be noted that the Council will continue to support the active uses in the commercial / retail units, which includes Colonnade House as a key economic contributor.

2. Social

2.1 Social Value

The Preferred Option supports the delivery of new affordable housing for people on the council's Housing Register who are currently living in inappropriate accommodation. The provision of good quality, spacious and secure accommodation will have a positive impact on the physical and mental wellbeing of some of our most vulnerable tenants.

All tenders submitted by Contractors will be scored against the Council's Social Value criteria. Only those Contractors who score the highest and are making a positive contribution through their Social Value programmes i.e. supporting community projects, creating employment and training opportunities etc. will be appointed.

2.2 Equality Issues

Adur District Council has a responsibility under the Homelessness Reduction Act 2017 to provide interim accommodation to eligible households with the criteria for eligibility set and agreed by the Council. The council's Allocations policies should ensure that fairness and equality is achieved throughout the allocations process.

2.3 Community Safety Issues (Section 17)

The delivery of purpose-built accommodation in small clusters removes the need for eligible families or individuals to be housed in hostels where the Council has less ability to influence or address criminal or antisocial behaviour.

2.4 Human Rights Issues

Matter considered, no issues identified.

3. Environmental

The homes have been designed to be well insulated and gas-free, thereby allowing present and future consumption of renewable electricity. Their design also minimises the consumption of water, run-off to sewers, addresses overheating risks and promotes sustainable transportation measures.

4. Governance

The proposed development in this report is in conformity with the Councils' Housing Strategy and Platform for Places policy documents.