



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
11 February 2020
Agenda Item 9

Key Decision [Yes/~~No~~]

Ward(s) Affected:
Southwick Green Ward
St Nicolas Ward

Adur Homes development programme - Albion Street and Cecil Norris House

Report by the Director for Communities

Executive Summary

1. Purpose

- 1.1. To provide Adur District Council Executive Members with an update on the Housing Revenue Account development programme, and in particular the Cecil Norris House and Albion Street projects.
- 1.2. To seek approval for the release of the sum of £378,000 from the unallocated capital budget for the Cecil Norris House Development to meet affordable housing needs.
- 1.3. To confirm the final scheme budget for Albion Street and seek approval for the the release of the sum of £2.8 million from the capital budget to meet affordable housing needs.

2. Recommendations

- 2.1. The Joint Strategic Committee is recommended to:

i) To release further budget for Cecil Norris House of £378,000 to fund the increased costs associated with the Cecil Norris House development which is to be funded from borrowing.

ii) To recommend to Adur District Council release budget of £2.8m to fund the Albion Street development funded by prudential borrowing.

iii) To delegate authority to the Director of Communities in consultation with the Executive Member for Customer Services, that if required, to appropriate for planning purposes the Albion Street Land under section 122 of the Local Government Act 1972 and the use of powers under section 203 of the Housing and Planning Act 2016, subject to obtaining the necessary Secretary of State consents.

3. Context

3.1. As part of 'Platforms for Our Places - Going Further' adopted by Adur District Council (ADC) in December 2019, Members have committed to the ongoing focus on delivering new affordable homes across the District as part of the Housing Revenue Account (HRA) development programme. Two of the current projects within this programme are Cecil Norris House which will deliver 15 affordable homes and Albion Street, which following a further planning application to deliver an additional 5 units (if approved) will deliver a total of 55 new council homes.

3.2. It is well documented that across the Adur District and indeed across the South of England, there is a pressing and urgent need for more truly affordable accommodation. The Council has responded proactively by identifying a number of opportunities to develop new homes on Council owned lands. Cecil Norris House and Albion Street are the two schemes that were identified for delivery first and an update on each scheme is considered separately below. In addition to these two projects, ADC has identified a number of other sites through a "small sites" programme as outlined in the report to the Joint Strategic Committee in January 2020.

3.3. Cecil Norris House

3.3.1. The Joint Strategic Committee previously considered a report on the development at Cecil Norris House on 19th July 2018. This

report agreed a cost estimate for the development of £3.3 million and provided delegate authority to the Director for Communities to enter into a construction contract following a procurement process. Adur District Council (ADC) entered into contract with Pilbeam Construction in July 2019.

- 3.3.2. Demolition of the existing building has concluded, however works have been halted twice, firstly due to the discovery of previously unknown asbestos in the floor during demolition. Secondly, due to the need to demolish a party wall which was discovered as being structurally unsound following a professional assessment from a structural engineer.
- 3.3.3. Both of the above have had an estimated impact on the timing of the construction programme totalling c.19 weeks. The appointed Employers Agent for the scheme (RLF) who act as contract administrators have confirmed that ADC are responsible for these costs (and this is accepted) as both items were highlighted as provisional sums within the contract.
- 3.3.4. The cost impact of the demolition/rebuild of the wall and halting works on site are yet agreed with the contractor, although the Council's Quantity Surveying advisors have provided an indicative budget figure for this cost which has been included in the updated budget.
- 3.3.5. The Council's appointed development team has examined all possible cost savings to mitigate this variation and will work with the consultant team to identify and remove all non-essential specification items to manage any further variations to the cost of the contract. A request for approval to spend based on the new forecasted budget is included in this report.
- 3.3.6. With works on site re-commenced and piling now complete this scheme is on track to deliver 15 new affordable homes by winter 2020. While, it is unfortunate that the two issues have arisen it is considered that the proposed scheme will still deliver 15 quality affordable homes for the area which are in significant demand.

3.4. Albion Street

- 3.4.1. Planning approval currently allows for 44 new build homes and 6 refurbished homes. In an attempt to maximise the number of affordable homes on the site and on the basis that the scheme is now 100% affordable, the team have reviewed the current design to assess whether more homes could be accommodated in lieu of parking spaces. This review has indicated that 5 further homes can be created with a loss of c.20 parking spaces. A planning application has now been submitted on this basis. As part of the application the Council will provide site specific disabled parking spaces and bike storage. The use of a car club will also be investigated for the site.
- 3.4.2. Contractor tenders were received on 17th December for this project. Whilst the clarification process is currently on-going RLF (the employers agent) have provided an estimated final build cost based upon the tender returns. This build cost is based on a competitively tendered price and as such now enables the final budget for the scheme to be fixed.
- 3.4.3. Since the original outline/estimated budget was put before Members, there have been a number of design changes, most notably the inclusion of the additional 5 flats and loss of 20 parking spaces.
- 3.4.4. The design team has also undertaken a review of the need for sprinklers in the building. In September 2019 the Government started a consultation suggesting that building regulations be changed to make sprinklers compulsory on all residential buildings of 18m and above, down from the current 30m threshold. Whilst the current height of the Albion Street building is just short of 18m it is felt that ADC should be setting the standard for exemplary design, especially in relation to fire safety. As such all bidders have been asked to include a sprinkler system in their pricing.
- 3.4.5. To offset the cost of including sprinklers, the design team are proposing minor changes to other elements of the specification. A revised specification has been drafted which removes the costly smart control of lighting within flats however retains the

monitoring of key equipment (e.g. plant room boilers and pumps) to help aid the asset management team in their day to day management of the buildings.

- 3.4.6. As part of the above design review, a number of other possible design changes have also been highlighted should the final tendered scheme require further changes to mitigate high costs. These will be reviewed in further detail with the incoming contractor should the need arise.

4. Issues for consideration

Site	Risk	Mitigation/Alternatives
Cecil Norris	Increased costs are too high	Work with the design team and contractor to review specification in an attempt to reduce costs
	New wall design not agreed with neighbour	Continual dialogue with adjoining owner to agree mutually agreeable solution
	Outstanding provisional sums are higher than expected	A number of provisional sums remain, all of which are currently being investigated with the contractor to become firm costs. Current indications are that these will be within budget.
	Client specification changes lead to increased costs	Work with Housing and Maintenance colleagues to ensure only cost saving changes are made
Albion Street	Costs are too high for development to proceed	Do not enter into contract unless build costs are viable. Review costly design features and propose alternatives to reduce costs.
		Or Sell the site on the open market to recoup all costs and provide a nominal income for the Council.
	Planning for extra 5 homes is rejected	Revert to previously agreed planning position and amend contract sum

	Clean legal title is not fully established	Legal due diligence of the site to be finalised with mitigation measures put in place prior to entering into a build contract. Appropriation of the land for planning purposes to be considered as part of the mitigation measures.
	Funding not secured from Homes England (HE)	ADC are in continual dialogue with HE. A formal bid is being submitted based on the recent tender figures. ADC will not enter into contract with a Contractor until funding has been secured.

5. Engagement and Communication

- 5.1. In regards to Cecil Norris House, the main contractor has been tasked with ensuring local residents are kept informed of works on site and periodic updates will be provided to local Councillors as the scheme progresses.
- 5.2. As part of the revised planning application at Albion Street, local residents and Statutory Consultees will be informed of the changes by the Local Planning Authority as part of the planning process.
- 5.3. Local Councillors will be kept up to date on the delivery timescales for Albion Street once a preferred contractor has been selected.

6. Financial Implications

6.1. The Council's have previously agreed the following overall budgets to fund the HRA Development Programme:

	Actual	Approved budget - Current profile			Total
	2018/19	2019/20	2020/21	2021/22	
	£'000	£'000	£'000	£'000	£'000
Adur District Council					
HRA Development Programme					
North Road	183,520	25,000			208,520
Cecil Norris	257,190	1,466,660	1,576,150		3,300,000
Albion Street	265,320	1,564,760	4,129,050	3,440,870	9,400,000
Hidden Homes - Feasibility studies	51,420	223,580	235,000		510,000
Small sites - Future programme			765,000	1,000,000	1,765,000
Purchase of flats / contingency	-	200,000	181,500	702,980	1,084,480
Total approved HRA programme	757,450	3,480,000	6,886,700	5,143,850	16,268,000

6.2. Adur District Council set aside an additional £10m to fund new HRA development schemes in December 2018. This budget was only to be released on the presentation of a business case. Of this total, £7.3m was released to fund the expanded Albion Street project in April 2019. Consequently £2.7m remains available to support the HRA development programme if needed in addition to the budgets identified above provided that there is an approved business case.

6.3. Cecil Norris House:

6.3.1. The initial estimate of Cecil Norris House was £3.3m which was to be funded from £990,000 1-4-1 set aside capital receipts and £2,310,000 borrowing.

6.3.2. Since the initial estimates were approved, the Council has been awarded funding of £975,000 from Homes England. Following the successful funding application, the Executive Member approved an increase to the budget of £250,000 in June 2019 to enable the contract award to progress and the budget was increased to £3.55m.

6.3.3. Due to the identification of additional works outlined above in paragraph 2.3, it is clear that the current budget is not sufficient to finish the project. Negotiations are ongoing with the

Contractor on the claim amount but current estimates have been included in the overall final budget figure of £3.9m.

6.3.4. Homes England have also clarified that the grant cannot be used in combination with the 1-4-1 set-aside receipts which will now be used to part fund Albion Street. So the scheme will now be funded by £975,000 grant and borrowing of £2.95m,

6.3.5. The combination of the increased costs, increased borrowing and higher interest rates mean that the scheme is now expected to have an initial cost to the HRA of £29,530. Although in the longer term the scheme will be self financing, and will produce a return for the HRA.

	Year 1 - Net annual income (-) / cost	Net income over 40 years	NPV
	£	£	£
Debt charges	104,010	4,694,590	
Running costs	4,170	527,130	
Total costs	108,180	5,221,720	
Rental income (100% social rent)	-78,650	-5,930,450	
Net cost / income(-)	29,530	-708,730	-176,790

6.4. **Albion Street:**

6.4.1. The most recent budget for Albion Street was approved in April 2019. The budget was for the development of 44 units on the whole site which was to be a mix of social and affordable rented units. This provided a budget for the development of £9.4m funded as follows:

	£
Borrowing	6,739,380
Homes England Grant	1,835,000
S106 Contributions	409,220
1-4-1 retained RTB receipts	416,400
Total scheme funding	9,400,000

- 6.4.2. The contract for the delivery of the scheme has recently been tendered for and it is clear from the tenders received that the contract price will be significantly higher than originally expected. In addition, the Council has recently submitted a planning application to increase the number of units delivered on the site from 44 to 49. Consequently the final scheme budget will need to increase from £9.4m to the figure cited in the exempt appendix 1. A break down of the increased budget is set out in exempt Appendix 1.
- 6.4.3. Again the increased build and financing costs will mean a short term cost to the HRA of £29,730, however in the longer term the scheme will produce a return for the HRA.

	Cost in year 1 £	Cost over 40 years £	Net Present Value £
Debt charges	289,140	13,527,100	
Property costs	13,860	2,202,630	
Total costs	303,000	15,729,730	
Less: Income			
Block 1	-151,880	-11,451,880	
Block 2	-121,390	-9,152,860	
Net cost	29,730	-4,875,010	-396,930

7. Legal Implications

- 7.1. Section 124 Local Government Act 1972 provides the Council with the power to acquire land or property and section 8 Housing Act 1985 places a duty of every local Housing Authority to consider housing conditions in their District and the needs of the District with respect to the provision of further housing accommodation.
- 7.2. On 4th December 2018 the Joint Strategic Committee recommended that Adur District Council approve the creation of a £10m budget to facilitate the potential purchase or development of additional units for

the HRA within the Adur area, to be funded by a combination of prudential borrowing, RTB receipts, and external and S106 monies. Budget to be released on submission and approval of a suitable business case for each scheme, to the Adur Executive Member for Customer Services. This recommendation was approved by Adur District Council.

- 7.3. On 10th July 2018 the Joint Strategic Committee recommended to Adur District Council that a budget of £3.3 million be released for the redevelopment of Cecil Norris House, to include fees, and this recommendation was approved by the Council on 19th July 2018.
- 7.4. On 4th December 2018 the Joint Strategic Committee delegated the authority to the Director for Communities, in consultation with the Adur District Council Executive Member for Customer Services, to award the contract for the construction work at Cecil Norris House. In awarding construction contracts compliance is required with procurement legislation and the Council's Contract Standing Orders and Financial Standing Orders.
- 7.5. On 4th December 2018 the Joint Strategic Committee delegated the authority to the Director for Communities, in consultation with the Adur District Council Executive Member for Customer Services, to award the contract for construction work at Albion Street. Compliance with procurement legislation and Contract Standing Orders and Financial Standing Orders is required. External solicitors have been advising the Council on procurement matters. Tenders have now been received and the Director for Communities will shortly be evaluating these and making a decision as to the award of the contract in line with the existing delegated authority. Her decision will be published by way of an Officer Decision Notice and subject to call in, in the usual way.
- 7.6. On 2nd April 2019 the Joint Strategic Committee approved the release of a further £7.3 million from the Adur Homes Development budget to fund the delivery of 44 new flats at Albion Street.
- 7.7. S203-205 of the Housing and Planning Act 2016 provides the Council with powers to override third party rights in land they own to unlock the redevelopment potential of the land.

Background Papers

- Decision to award demolition and construction contract Cecil Norris House
June 2019
<https://democracy.adur-worthing.gov.uk/ieDecisionDetails.aspx?ID=149>
- HRA Development - Update and Next Steps - Report to the Joint Strategic Committee dated 2nd April 2019
- Platforms for Our Places - Going Further - Joint Strategic Committee
December 2019

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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 affordable housing and enabling residents to live and work, at affordable prices in the district.

2. Social

2.1 Social Value

This proposal will provide decent and affordable accommodation for those on the ADC housing register. This will have a positive impact on those individuals who may either be homeless or in unsuitable accommodation for their needs.

2.2 Equality Issues

This proposal does not have a specific effect on any specific group with protected characteristics

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 for a home life by providing a disadvantaged group of people (ie homeless households) with a decent affordable home.

3. Environmental

The accommodation provided will be built to modern current standards under the building regulations for example the latest standards of insulation and fire safety will also reduce fuel poverty for the residents

4. Governance

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