



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
6 October 2020  
Agenda Item 8

Key Decision [Yes]

Wards Affected: Mash Barn  
Eastbrook, Southlands, Hillside,  
Peveler, St Mary's, Churchill  
Southwick Green

**Maximising space for homes in Adur**

**Report by the Director for Communities**

**Executive Summary**

**1. Purpose**

1.1 To provide details of the small sites programme to Adur District Council Executive Members, which is planned to develop up to 56 new affordable homes on Council owned sites.

1.2 To allow members the opportunity to comment on or remove any schemes that they consider unsuitable for further consideration following the recent consultation exercise.

1.3 To seek approval for an increase to the capital programme of £15.934m funded from borrowing and external funding to enable the programme to progress.

**2. Recommendations**

2.1 The joint Strategic Committee is recommended to:

- i) Note the progress on the schemes and approve the approach being taken.
- ii) Note the list of included sites set out at section 4.6 of this report and to agree or amend this list of sites based on the feedback from the recent public consultation exercise.
- iii) Approve the business plan;
- iv) Recommend to Council to approve the proposed capital expenditure of £15.935 m from the development budget to deliver these projects funded by grant of £2.24m and prudential borrowing of £13.695m.
- v) Delegate authority to the Director for Communities to substitute or amend sites within the programme, should any of the sites be deemed unsuitable for development once through the initial due diligence and planning stage. Any substitution to be within the agreed budget and funding within this paper and to be agreed in consultation with the Adur District Council Executive Member for Customer Services and the Leader of Adur Council.
- vi) Approve the principle of the sale of sites to aid delivery of the programme and reduce potential rents should the need arise. Delegation to be given to the Director for Communities, in consultation with the Adur District Council Executive Member for Customer Services and the Leader of Adur Council, to agree sites for disposal.
- vii) Delegate authority to the Director for Communities, following a tender process, to award the building contracts and all associated contracts to enable delivery of the sites.

### **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. The small sites programme forms part of this and is expected to deliver 56 new rented Council owned 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 currently has over 700 households on its housing register waiting for affordable rented accommodation and over 40 households in temporary accommodation who need suitable housing. The Council has responded proactively by identifying a number of opportunities to develop new homes on Council owned land.
- 3.3. One of the three key objectives in Adur and Worthing Councils' Housing Strategy 2020-2023, is 'Improving the levels of affordable housing supply'. The development strategy which demonstrates how this will be achieved has an objective to 'utilise the Council's land and housing stock for self delivery'. This proposal contributes to the delivery of this objective by providing affordable homes on Council owned land.
- 3.4. Following an initial report prepared by consultants Baily Garner in 2018, which reviewed 40 garage and other small site sites owned by Adur Homes, ten suitable sites were identified.
- 3.5. A budget of £235,000 was approved by Joint Scrutiny Committee on 14th January to allow initial design work and technical appraisals to proceed based on the sites that had been identified. This stage of the work has now been completed. This report sets out the development proposals, business plan and background information for approval.

### **4. Development proposals**

- 4.1. Following procurement processes a consultant team has been appointed which includes architects and cost consultants. Due diligence work to check legal title and services information, and to produce site survey information has progressed. Based on this,

preliminary plans have been drawn up for the shortlisted sites. Some sites were found to not be viable due to constraints on development, and where possible substitutes were found. The result is that 10 sites were identified for development which are considered to be viable.

- 4.2. This short list included 3 sites in the Mash Barn Ward and following concerns expressed by local residents and ward members regarding pressures on car parking locally, and the ongoing storage requirement from local residents and charities, it is proposed that the part of the site at Shadwells Road would be retained for garage/storage use and a proportion of the garages to be demolished to provide additional car parking. This will form part of a broader review of the garages and will be funded from within the main housing investment programme.
- 4.3. In accordance with local housing needs, Adur Homes' Housing Management team have provided a brief for the required local housing mix. This mix focuses on family homes and with a requirement to include some homes which have been designed to accommodate a wheelchair user.
- 4.4. In line with the Council's sustainability objectives, new homes will be built to high sustainability standards and be well insulated with all electric heating using energy efficient heat pumps. Options for the inclusion of solar PV and solar hot water will also be considered.
- 4.5. Initial plans have been discussed with planning officers and adjusted to take account of their comments. Further engagement with planners will take place prior to planning application.
- 4.6. A summary of the sites and the number of new homes proposed for each is as follows:

Site Location	Current Use	Proposed new homes			Total
		1 bed	2 bed	3 bed	
Daniel Close	Garages		7	2	9
Gravelly Crescent	Garages		3	4	7
Gardner Road	Garages	3	4		7
Wilmot Road	Garages	1	5		6

Downsway	Garages		6	6	12
Sylvan Road	Garages	3	4		7
Leconfield Road	Council storage		2		2
60 Brighton Road	Permit holder car park		2		2
St Giles Close	Garages		4		4
Total new homes		7	37	12	56

- 4.7. It is acknowledged that some of these sites may not proceed as a result of further consultation and technical appraisal, and conversely further sites may be identified and substituted into the programme. Where this is done, sites will achieve similar outcomes and the aim will be to maintain the same number of units in the programme overall.
- 4.8. The garage courts have been identified for development as they are an ongoing maintenance issue, attract fly tipping and antisocial behaviour and due to their size cannot accommodate most modern vehicles. In some cases they are let to individuals with no connection to the local area and have become a convenient source of cheap storage. Many Councils such as Brighton and Lewes have embarked on similar re-development of garage sites to help aid the acute housing need in their respective areas.
- 4.9. A total of 295 garages would need to be demolished. 245 of these are currently let. It is estimated, based on the inspection of a sample of 75 garages, and the fact that many garage licensees live more than half a mile away, that at least 90% of these garages are being used for storage rather than car parking. A summary of the number of garages on each site is set out in the table below:

Garage Site Location	Number of garages	Lettings pattern		
		Let	Local lets	Charities
Daniel Close	76	61	21	1

Gravelly Crescent	52	44	27	2
Gardner Road	20	13	7	
Wilmot Road	46	37	23	
Downsway	22	20	16	
Sylvan Road	49	42	34	
St Giles Close	30	27	18	
Total	295	245	146	

4.10. Where there are known local parking stresses, officers are actively looking to provide more parking spaces over and above the number required by planning policy.

4.11. A strategy for obtaining vacant possession of the garages has been prepared and the key points of this are:

- Replacement garages for high priority garage users to be provided where possible - these will include those with disabilities and Adur Homes tenants in flats. The supply of these is limited, and this is exacerbated by the fact that a number of garages which are currently void need repair work for which no budget is currently allocated.
- Early notice given to garage licensees to allow them to make arrangements to vacate.

## 5. Business Plan

5.1. The financial appraisal of the sites has been carried out using a model produced by consultants Quod which has been developed with input from the Council's development and finance teams. Details of development costs, capital grant, and revenue income and costs have been input to establish whether the scheme meets the Council's financial benchmarks. This section sets out the assumptions, analysis and conclusion to this process.

- 5.2. An estimated construction cost for each site has been provided by cost consultants. In addition, an allowance has been made for on-costs to cover site surveys and design fees, together with a contingency on the construction costs. A breakdown of the anticipated capital costs is in the confidential Appendix.
- 5.3. The programme will require funding from Homes England and the rate available depends on whether the new homes are to be for affordable rent ( up to 80% market rent) or social rent ( Council rent levels). Appraisals have been modelled for both options and the only viable proposal, which allows borrowing to be repaid, is for affordable rent.
- 5.4. The total development cost of £15.934m would be funded from £2.24m grant from Homes England and Council borrowing of £13.694m
- 5.5. Market rent levels have been provided by an independent valuer. The proposed average weekly rents which allow the schemes to work and which are within the LHA allowance are as follows:

	1 bed	2 bed	3 bed
Open market rent	£208	£231	£254
LHA Shoreham	£184	£230	£276
LHA Lancing	144	184	223
Proposed Affordable rent	144	180	200
Affordable rent as % market rent	69%	78%	79%

- 5.6. All rents include service charges and a small adjustment between rent levels for flats and houses will be made.
- 5.7. Revenue costs include the cost of borrowing, and the cost of management and maintenance. The appraisal assumptions are based on the current PLB borrowing rate of 1.5% and standard assumptions on management and maintenance costs based on current costs.

- 5.8. The financial parameters used to establish whether the programme is viable are, Net Present Value (NPV) which needs to be a positive figure, and first year deficit/surplus which is the contribution made by the project to the HRA; this also needs to be positive. In addition, the appraisal needs to demonstrate how the loan can be repaid within the 50 year borrowing period.
- 5.9. Not all the individual sites achieve the financial benchmarks however overall the programme produces an NPV of £2.7m and the year 1 contribution to the HRA is £130,154. The appraisals demonstrate that the loan is repaid within the required 50 year period. The programme is therefore considered to be financially viable and to make a positive contribution to the HRA in the long term.

## **6. Engagement and communication**

- 6.1. Seeking the views of local residents, ward members and other stakeholders is an important part of the process in delivery of the sites. In recognition of this fact the Council is undertaking an extensive consultation process to enable local residents the time to review and comment prior to any application being submitted.
- 6.2. Due to the requirement for social distancing, the consultation is being carried out online via a bespoke website that has been set up to provide information and take feedback. All residents in the consultation areas have been written to and alternative contact details provided for those who are unable to access the internet. This started in July 2020 and will be completed by mid October.
- 6.3. The Council have appointed consultants BECG to assist with the consultation process and they have coordinated work on the website and are producing an analysis of feedback received.
- 6.4. So far, consultations have been completed on 8 sites of the 10 originally identified. The last two sites at Gardner Road and Brighton Road will be out to consultation in October. The main concerns from residents are pressures on car parking, loss of storage, disruption and the impact of the proposed development on neighbours. There have also been some comments in support of the proposals to provide more affordable housing.



6.5. Plans will be reviewed in the light of the consultation and amended proposals will be posted on the consultation website in the autumn.

## 7. Timetable

7.1 The proposed timetable for delivery is:

- Planning applications – November- December 2020
- Planning approvals – March- April 2021
- Contractors selected – April- May 2021
- Garages vacated – May- June 2021
- Start on site – Summer 2021
- Completions – Winter 2021

## 8. Issues for consideration

8.1. The top six risks to the project which may affect cost and delivery are summarised in the table below:

Risk	Impact	Mitigation	RAG
Planning is refused	Planning refusal leads to a need to amend plans, or site/s not proceeding	Continue pre-application process with AWC and WSCC and ensure issues are addressed prior to applications	Amber
Technical issues arise such as utility capacities or unforeseen ground conditions	Cost increase and delays	Ensure survey and technical appraisals are thoroughly executed. Appointment of an Employers Agent to guide the process	Red
Vacant possession of garage sites not achieved	Delay to programme	Ongoing contact with garage owners, and provision for those in priority need	Amber

Cost increases	Budget exceeded scheme cannot progress	Cost estimates to be prepared at each stage.	Amber
Coronavirus	Delays and uncertainty due to a possible 'second wave'	Monitor position and likely impacts on construction	Red
A scheme becomes unviable	Budget exceeded scheme cannot progress	Substitute with a new scheme identified in the pipeline	Amber
Homes England Funding Not Achieved (new HE programme 2021-26)	Schemes become unviable	Continued engagement with Homes England, ensure homes are designed to HE standards	

8.3 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 and contains legal advice. This information must be given due consideration and taken into account prior to members reaching a decision.

## 9. Financial implications

- 9.1 The Council has a current approved budget of £2,275,000 for the hidden homes work which was based on initial feasibility work (£275,000) and sufficient funding for a small pilot project (£2,000,000). Following the feasibility studies it is now recommended that a full programme budget be approved.
- 9.2 The majority of sites to be developed are old garage sites, and as such the HRA will lose the income associated with those garages currently let. This is the equivalent to an annual loss of income of £134,660 (based on 245 garages let at £10.57 per week at 2020/21 prices). However our garages are in very poor condition; some are at end of life; and many are too small to accommodate modern cars. They will need either replacement or significant repair work within the next 5 - 10 years. So whilst the HRA will lose income, it

will also lose the long-term maintenance liability associated with the need to replace or significantly refurbish these garages.

- 9.3 Inevitably there will be a cashflow issues for the HRA, as they will lose the garage rents ahead of completing the new units and generating rental additional income. This will be difficult to accommodate in the short term due to the current financial position within the HRA which is predicting deficits over the next few years as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Deficit as per approved 30 year plan	208	-65	-250	-252	-45
Impact of 2020/21 pay award	30	31	32	33	34
Revised deficit / surplus (-)	238	-34	-218	-219	-11

However, the Council has a reserve for Development and Acquisition of properties of £1.64m, it is recommended that the interim revenue impact due to the loss of garage rents is funded from this reserve. Overall approximately £137,000 will be required in 2021/22 with a further £70,000 needed in the following year. This will be approved as part of the development of the 2021/22 HRA budget.

- 9.3 The overall programme of work is expected to cost in the region of £16.6m. A breakdown of this figure is included in exempt appendix A.. The projects should attract government funding of £2.24m and so borrowing of £13.695m will be required to finance the overall programme.
- 9.4 At an affordable rental level (80% of market rent), the programme is expected to have a net initial loss of £64,840 for the HRA based on a 2% interest cost from the first year of occupation:

	£
Rental income - Affordable rent	542,080
Less:	
Borrowing costs (at 2.0% for 50 years)	-435,800
Maintenance and repairs	-30,980
Net income from properties	75,300
Loss of garage rents	-140,140

Net impact of programme in year 1 of occupation

-64,840

Although the financial return will improve in the time that the homes are held. Overall, the programme provides the Council with a positive Net Present Value of £2.7m and an Internal Rate of Return of 4.11% indicating that in the longer term, income exceeds the associated costs.

- 9.5 Currently it is estimated that the HRA will be in a position to accommodate an initial overall loss of £34k in 2022/23 when the first units are expected to become occupied. Whilst the expected revenue impact of the units exceeds this limit, the estimated capital cost currently includes a contingency of 15% and interest rates are currently slightly lower than the 2% included in the financial modelling.
- 9.6 Consequently, to ensure that the programme remains balanced and affordable, it is proposed to review the overall package of works post procurement to ensure that the final development programme remains affordable to the HRA whilst maximising the number of units delivered.

## **10. Legal Implications**

- 10.1. Section 111 of the Local Government Act 1972 provides that the Council shall have the power to do anything (whether or not involving 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.
- 10.2. 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.
- 10.3. Section 1 of The Local Government (Contracts) Act 1997 allows the Council to enter into a contract in relation to any of its functions.
- 10.4. Under the Public Contract Regulations 2015 where a public authority is to enter into a contract for the supply of goods and services any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations and a failure to do so may be declared, upon receipt of a procurement challenge, anti competitive and in breach of the Regulations.

- 10.5. In addition to paragraph 11.4 the Council must comply with its Contract Standing Orders in relation to the procurement of a preferred developer.

### **Background Papers**

- Delivering our Housing Strategy – Housing Development next Steps Report to JSA 14<sup>th</sup> January 2020  
<https://democracy.adur-worthing.gov.uk/ieDecisionDetails.aspx?ID=278>
- Platforms for Our Places - Going Further - Joint Strategic Committee December 2019

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

Jake Lock

Senior Development Manager

07785 636671

[jake.lock@adur-worthing.gov.uk](mailto:jake.lock@adur-worthing.gov.uk)

## **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.