



ADUR & WORTHING COUNCILS

Joint Strategic Committee
7 September 2021
Agenda Item 10

Key Decision: Yes

Ward(s) Affected: Heene

Downview and Rowlands Road update

Report by the Director for the Economy

Executive Summary

1. Purpose

- 1.1. To provide an update to members on the development of Rowlands Road and Downview Road and the expected savings to the Council.
- 1.2. To seek approval for the release of a further sum of £378,000 from the unallocated temporary accommodation capital budget for Rowlands Road to meet affordable housing needs.
- 1.3. To propose that Worthing Borough Council become a Registered Social Landlord for the purpose of attracting Homes England/Ministry of Housing, Communities and Local Government funding towards the provision of new temporary and emergency accommodation noting that there is no intention or need to have a separate accounting system or Housing Revenue Account.

2. Recommendations

- 2.1 To note the contents of this report.
- 2.2 To release further net budget for Rowlands Road of £387,826 to fund the increased costs associated with the refurbishment contract from the unallocated temporary accommodation budget.

- 2.3 To authorise the registration of Worthing Borough Council as a Registered Social Landlord and to recommend to Worthing Full Council that it approves the Registration of Worthing Borough Council as a Registered Social Landlord.
- 2.4 To authorise the Monitoring Officer to make consequential amendments to the Constitution arising from the registration at 2.3.

3. Context

- 3.1. Worthing Borough Council (the Council) is currently delivering schemes at Rowlands Road and Downview Road which will provide the Council with 36 units for temporary and emergency accommodation.
- 3.2. The Council's aspiration to improve levels of affordable housing (including temporary accommodation) are set out in section 2.2.5 of Adur & Worthing's Platforms for Our Places - Going Further 2020-2022, within the Thriving People and Communities platform.
- 3.3. In addition, Priority 3 of Adur and Worthing Council's Housing Strategy 2020-2023 outlines the Councils' commitment to improving the levels of affordable housing supply and recognises the high demand for emergency and temporary accommodation in Worthing.
- 3.4. Adur and Worthing's Homelessness Strategy is being updated however the Councils' Temporary Accommodation - Placement and Procurement Policy' demonstrates how demand for Emergency and Temporary Accommodation in Worthing increased by 25% over a 14 month period.
- 3.5. Delivery of 36 units of emergency and temporary accommodation in Worthing supports Council policies on housing and homelessness and delivers real savings to the Council from a reduction in expenditure on private accommodation to host those in need.
- 3.6. Government funding opportunities have recently arisen for temporary/emergency housing and supported housing. The Rough Sleeping Accommodation Programme (2021-2024) and the Affordable Homes Programme (2021-2026) provide access to capital funding to deliver housing. To access this funding a Local authority is required to be a Registered Social Landlord.

- 3.7. Accessing the above funding will enable the Council to deliver more homes for Temporary Accommodation/ Supported Housing and to become less reliant on private accommodation (e.g. bed and breakfasts).
- 3.8. Under section 114A of the Housing and Regeneration Act 2008, local authorities who begin to provide social housing are subject to compulsory registration and should notify the Regulator of Social Housing (RSH) to be registered.
- 3.9. Downview Road**
- 3.9.1. In June 2020, work completed on phase 1 of the development to provide 9 homes for emergency and temporary accommodation owned by Worthing Council, and a commercial unit at ground floor.
- 3.9.2. In September 2020, work started on phase 2 to build a new block of flats in the car park adjacent to the refurbished public house. This will provide a further 8 one- and two-bedroom flats for emergency and temporary accommodation. The contracted completion date was 21st May 2021.
- 3.9.3. Construction began and continued through the coronavirus pandemic which has subsequently had a significant impact on delivery of the scheme with many operatives having to isolate and lead in times for key materials significantly increased.
- 3.9.4. As a result, the anticipated completion date for the scheme is now 6th September 2021, putting the project in delay by approximately 15 weeks. Covid-19 has been the predominant reason for the delay, however other reasons exist and as a result the Council is reviewing it's commercial position in this respect.
- 3.9.5. Notwithstanding the challenges of building during the pandemic, the Downview scheme is anticipated to come in under budget on completion of the second phase. The approved budget to purchase the site and deliver the 17 units was £4.4m; projected expenditure totals £4.3m, providing an underspend of approximately £100,000.

3.10 Development of 151 Rowlands Road, Worthing

- 3.10.1 In February 2019 the Council acquired the former, vacated care home in Rowlands Road, Worthing in order to convert the existing building on the site into 19 self-contained flats for use as Temporary Accommodation.
- 3.10.2 Following a redesign and planning approval for change of use the Council carried out a competitive tendering process for a Traditional form of JCT construction contract, which was won by Cheesmur with a contract completion date of 29th March 2021 being agreed.
- 3.10.3 The works consist of a major conversion, refurbishment and extension of an historic building. This type of property redevelopment comes with a high level of complexity. The main part of the building dates from the Edwardian era, while other parts are more modern, having been constructed around the 1970s but are of a poor quality of construction. Unlike a Design & Build Contract, often entered into for new-build projects, the Traditional form of contract that is required for conversion and refurbishment schemes, places design and construction risk with the client.
- In order to bring the property up to modern standards, and meet with Building Regulations, extensive works both internally and externally have been required.
- 3.10.4 Since starting on site, there have been a significant number of variations required due to the discovery of issues such as additional asbestos and drainage difficulties, which could not have been known until Cheesmur took possession of the site, and stripped back walls and floors in preparation for remodelling, together with trenching below-ground externally. Opening up of the building has also exposed further structural problems, with poor quality construction and deterioration requiring repair and replacement, which had not originally been anticipated.
- 3.10.5 In addition to the repair and replacement of various materials, and to the fabric of the building, a number of design changes have taken place following the commencement of the works. The most significant changes have been in the structural and drainage solutions.

A requirement of Planning was to apply a Sustainable Urban Drainage Strategy (SUDS) to the scheme which would upgrade the system and provide improved surface water run-off from the site. The structural engineer was briefed to design the most efficient solution possible, in order to minimise costs, but testing of the existing infrastructure has led to several design revisions, resulting in cost increases against a straight-forward sewer connection, which was the original design intention.

3.10.6 In light of the significant cost uplifts necessary for the works to complete, the design team, contractor and consultants have all worked to continually identify potential savings to the project without compromising on quality.

Several savings have been achieved by changing suppliers, omitting elements of the design no longer required, and altering the materials used. This has gone some way to off-set the escalating costs but has not mitigated them entirely. The estimated total sum for savings found is £64,500.

3.10.7 The additional works and redesigns that have emerged over the lifetime of the project have, in turn, led to delays to the programme. As seen in other development projects and across the industry, the effects of the pandemic and periods of inclement weather have also affected progress.

3.10.8 A current forecast completion date of the end of September 2021 has been issued by the contractor and an application for an Extension of Time is expected imminently.

3.10.9 The result of the additional works and delays to the programme have resulted in a final contract sum currently forecast at £2,200,000. The total additional costs relating to design and consultancy fees is £135,000.

3.10.10 Examples of some of the issues that have resulted in increased works and delays are set out in the table below:

	Additional cost (c)
Additional asbestos found in fabric of the building and below ground	£46,000
Drainage & SUDs Solution	£35,000

Structural and design changes following opening up	£106,000
Removal of chimneys, additional roof works, external wall and damage repairs	£60,000
Contractor's loss and expense claim due to delays up to six months	£64,000
Increased consultancy fees due to design changes and extended programme	£135,000

4. Issues for consideration

4.1. Each contract was signed during the height of the Coronavirus (Covid-19) pandemic with considerable uncertainty around how the virus would affect delivery of the project (and the construction industry in general). As a result, it was agreed between the parties that in the event that it could be demonstrated that Coronavirus was interrupting delivery of Rowlands Road or Downview Phase 2, no fault would be attributed to either party and impacts to each would be absorbed.

4.2. Downview Road

4.2.1. Delays caused by the pandemic have caused elongation of the programme during Phase 2 which have led to an increase in professional fees such as contract administration, Clerk of Works and M&E advice, totalling approximately £12,750. This extra cost has been offset by savings in non-essential monitoring equipment.

4.2.2. Notwithstanding these delays and additional costs, the scheme at Downview Road is within budget and coming to completion. Worthing Borough Council's Housing Solutions Team and their managing agents are prepared to receive the properties and get tenants moved in quickly after.

4.2.3. Once both phases are complete, the Downview scheme will provide 17 flats for temporary accommodation, providing an annual saving to Worthing Borough Council of £104,000 in the first year and a projected average annual saving of £245,000 across the life of the scheme, through reduced expenditure on housing residents in private accommodation and hotels.

4.2.4. In addition, the power supply provided to the commercial unit delivered as part of Phase 1 will be upgraded to be able to

accommodate a variety of commercial uses with a view to taking to market (or used by the Council) later in the year. This unit is currently being used as the site office for Phase 2.

4.3. Rowlands Road

- 4.3.1. Given the high level of additional work required, consider increasing the budget to £4,276,580.
- 4.3.2. Once complete in late September, Rowlands Road will provide 19 flats for temporary accommodation, providing an annual saving Worthing Borough Council of £58,000 through reduced expenditure on temporary and emergency accommodation.

4.4. Registration as a Registered Social Landlord

- 4.4.1. Local authorities who own and manage social housing are required to notify the Regulator of Social Housing (RSH) for automatic and compulsory registration as a Registered Social Landlord (RSL).
- 4.4.2. Becoming an RSL would mean Worthing Borough Council would be eligible to receive funding from Homes England and/or the department of Homes, Communities and Local Government to support the development of social housing, including temporary and emergency accommodation. The reason for becoming an RSL would purely be to access this funding, there is no intention or need to have a separate accounting system or Housing Revenue Account.
- 4.4.3. The Regulator of Social Housing has confirmed that no fees are required to become a RSL. Corporate overheads relating to this change are also expected to be minimal.
- 4.4.4. The RSH requires all local authority registered providers to submit the Local Authority Data Return (LADR) regarding stock and rents, in addition to their Local Authority Housing Statistics submission made to MHCLG directly.
- 4.4.5. To maintain registration, local authorities must demonstrate compliance with the Rent Standard through the LADR. The Rent Standard requires all rents to be charged in accordance with the Government's Policy Statement on Rents for Social Housing 2018. Following a review of WBC's current forecasted rents for

Downview/Rowlands it is envisaged that these schemes will meet the Rent Standard.

5. Engagement and Communication

- 5.1. Both schemes undertook consultation prior to planning and have provided letter drops to residents during the build process.
- 5.2. At Downview Phase 2, relations with neighbours are good. Contractors are generally parking considerately and the team have received no complaints about noise or nuisance.
- 5.3. Where possible the development team have looked to work with Councillors and local businesses to find solutions to concerns raised. A recent example was the team making an application to the highways authority to paint a white line on the dropped kerb outside the new block to prohibit parking and enable delivery lorries to access Bradfield Walk to aid deliveries for local businesses.
- 5.4. The most recent engagement with neighbours has been regarding repair of the boundary wall to the south of Phase 2. Residents of Orchard Court that responded to the letter drop were happy for the work to progress and allowed access to the driveway for the work to be completed.
- 5.5. A similar approach has been taken at Rowlands Road where an adjoining neighbour raised concerns regarding overlooking from a window in the flank wall. This has been addressed to the neighbour's satisfaction by introducing obscured glass.

6. Financial Implications

- 6.1. The current approved budget for temporary and emergency accommodation can be broken down as follows:

Current approved budgets:

	Spend to 31/3/2021 £	2021/22 Budget £	2022/23 Budget £	Total £
Downview	3,520,010	879,990		4,400,000
Rowlands Road	2,925,210	874,670		3,799,880
Unallocated budget		1,540,000	1,000,000	2,540,000

Total budgets	6,445,220	3,294,660	1,000,000	10,739,880
---------------	-----------	-----------	-----------	------------

There is sufficient unallocated budget remaining to fund the cost pressures identified within the report.

- 6.2. The latest forecast of the costs indicates that Rowlands Road will exceed it's budget by £476,700. However this will be partially offset by the expected underspend on the Downview Road as follows:

	Current budget £	Expected outturn £	Over / (under) spend £
Downview Road	4,400,000	4,301,800	-98,200
Rowlands Road	3,799,880	4,276,580	476,700
	8,199,880	8,578,380	378,500

- 6.3. The Council has unallocated budget provision available to address the budget pressures provided that the programme delivers a reduction in the overall cost of temporary accommodation.
- 6.4. Based on the latest assessment of the cost of both Downview and Rowlands Road projects, these investments should reduce the cost of temporary accommodation as follows:

Annual costs	Rowlands Road		Downview Road	
	Purchase £	Bed and Breakfast £	Purchase £	Bed and Breakfast £
Debt charges				
Interest	85,530	0	85,020	
Principal repayment	70,800		51,880	
Total borrowing cost	156,330	0	136,900	0
Maintenance	38,000	0	34,680	0
Cyclical Maintenance	0		6,940	0
Annual buildings insurance	9,500	0	0	

Lease costs	0	11,270		
Staff	25,300	1,270		
Bed and Breakfast charges		294,210		299,680
Total costs	229,130	294,210	191,060	299,680
Less: Potential rental income	-107,160	-114,210	-102,820	-108,230
Net annual income	121,970	180,000	88,240	191,450
Annual saving		58,030		103,210
Total annual saving				161,240

Over the next 40 - 50 years both projects will provide considerable financial benefit to the Councils as follows:

	Rowlands Road			Downview Road		
	Net annual cost	Net cost / income(-) over 40 years	NPV over 40 Years	Net annual cost	Net cost / income(-) over 50 years	NPV over 50 years
Purchase for Temp Accommodation	121,970	5,037,510	17,238	88,230	3,639,000	1,603,000
Current B&B arrangements	180,000	10,871,620	6,283,997	191,450	15,876,500	8,665,000
Average annual saving	58,030	145,850		103,220	244,800	
Saving over life of the investment		5,834,100			12,237,500	

6.5. There is an opportunity to secure funding from Homes England towards the provision of temporary and emergency accommodation of £40,000 per unit. Homes England will consider funding both the new build units at Downview and a contribution towards the refurbishment costs at Rowlands Road. If successful then the new financial benefit of the two schemes will improve as follows:

	Rowlands Road	Downview Road	Total
	£	£	£
Annual saving with no grant funding	58,030	103,210	161,240
Annual saving with grant funding	85,810	113,400	199,210
Increase in saving generated	27,780	10,190	37,970

- 6.6. However, to bid both for this funding and for other types of capital support towards our temporary and emergency accommodation programme, the Council will need to become a Registered Social Landlord.

7. Legal Implications

- 7.1. For WBC to be a Registered Social Provider it needs to provide or intend to provide social housing that meets the definition of social housing within sections 68 – 71 of the Housing and Regeneration Act 2008 (low cost rental and/or low cost home ownership accommodation). Where a local authority does provide housing as defined by these sections, registration is automatic on application by the Council.
- 7.2. In making the application to be registered as a Social Housing Provider, the Director for Communities is to consult with the Council's Monitoring Officer to ensure that any consequential amendments to the Council's constitution are updated.
- 7.3. 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.
- 7.4. Under 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.
- 7.5. 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
- 7.6. 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.

- 7.7. Any further funding approved by this Report should be contracted for in accordance with the Council's Contract Standing Orders found at Part 4 of the Constitution.

Background Papers

- Platform for our Places: Going Further (2020:2022)
<https://www.adur-worthing.gov.uk/media/Media.156442.smxx.pdf>
- JSC approval of Delivering Pathways to Affordable Homes report 30th March 2021
<https://democracy.adur-worthing.gov.uk/documents/g1493/Printed%20minutes%2030th-Mar-2021%2018.30%20Joint%20Strategic%20Committee.pdf?T=1>
- JSC approval to delegate to the Director of Communities the authority to award the construction contract for Downview in consultation with the Executive Member for Customer Services
<https://democracy.adur-worthing.gov.uk/Data/Joint%20Strategic%20Committee/201812041830/Agenda/media.151644.en.pdf>

Officer Contact Details:-

Name: Jake Lock

Role: Senior Development Manager

Email: 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 temporary housing to meet the needs of homeless households in the District.

2. Social

2.1 Social Value

This proposal will provide decent and affordable accommodation for those presenting as homeless and identified as in priority need. This will have a positive impact on those individuals housed pending transfer to permanent accommodation.

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 (i.e. homeless households) with a decent affordable home.

3. Environmental

The buildings will be developed to achieve modern standards under the building regulations will also reduce fuel poverty for 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.