



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
7 June 2022

Key Decision Yes

Ward(s) Affected: Central

## **Delivery of housing for Emergency & Temporary Accommodation - Victoria Road, Worthing**

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

#### **Officer Contact Details**

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Development Manager

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### **Executive Summary**

#### **1. Purpose**

- 1.1. This report follows the publication of the Adur and Worthing Housing Strategy for 2020-2023, 'Delivering Pathways to Affordable Homes' document and subsequent Delivery Plans.
- 1.2. This report outlines the increasing demand for emergency and temporary accommodation (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 Victoria Road site, with development of the site as EA/TA the preferred option both economically and in terms of meeting an established local need.
- 1.3. The report seeks agreement of Councillors to redevelop this site for the purpose of providing Council owned EA/TA and approval of a budget to progress both a planning application and development on site.

#### **2. Recommendations**

- 2.1. To approve the preferred option for the future of the Victoria Road site set out within this paper to enable the council to fulfil its statutory housing duties under S188 and S193 of the Housing Act 1996.
- 2.2. To approve a virement of £440,000 to the temporary and emergency accommodation budget funded by external funding from Homes England. This will increase the overall available budget to £3.541m.
- 2.3. To release £3.403m from the Temporary and Emergency Accommodation budget to enable the project to progress through planning and to completion of the construction stage
- 2.4. To delegate authority to the Head of Major Projects & Investment to invite tenders for the construction work, and to enter into all necessary contracts to enable the project to progress through the construction phase to completion, in consultation with Executive Members.
- 2.5. To note that a further report will be presented to the Executive Member post procurement, to confirm the final costs associated with the scheme and the viability of the proposal.

### 3. Context

- 3.1. 20-22 Victoria Road in Worthing comprises an underutilised site of approximately 0.3 acres. The site includes two small single-storey temporary buildings and hardstanding. The Council has leased the site to the South East Reserve Forces & Cadet Association since 1973. Due to a declining membership base, ATC have served a notice to vacate and the premises will become unoccupied and return to the Council in May 2022.
- 3.2. The site is identified in Worthing Borough Council's Strategic Housing Land Availability Assessment (SHLAA, 2020 update) as a potential development site but rejected as it is '*currently in community use and there is no indication that this use will cease*'. Since then, and with the Council's commitment to housing delivery demonstrated in the Housing Strategy 2020-2023 and 'Delivering Pathways to Affordable Homes' documents, the site's suitability for development has been re-evaluated.
- 3.3. Chapter 3 of the Housing Strategy outlines the local need for affordable housing, in the context of increasing prices and rents. Based on demographic projections, there is a need for 653 additional affordable dwellings (of all tenures) per annum across the region.
- 3.4. Priority 3 of the Housing Strategy demonstrates the Council's commitment to delivery of affordable housing, including a commitment to delivery of 250

homes directly by Adur & Worthing Councils. This commitment is reiterated in 'Delivering Pathways to Affordable Homes' which was adopted in March 2021.

- 3.5. Adur & Worthing's Temporary Accommodation Strategy was adopted in 2017 and focuses on placement and procurement of accommodation - there is recognition in the Housing Strategy that the Temporary Accommodation Strategy should be reviewed and updated with extra emphasis on developing our own accommodation for these purposes.
- 3.6. Since 2017, placement of households in emergency accommodation (EA) and temporary accommodation (TA) has been increasing at a net average of 3 per month in Worthing. This data does not include COVID-19 placements, which has increased the net placement even higher.
- 3.7. In March 2022, Delivery Plans for Pathways to Affordable Homes were put together to describe how Adur and Worthing intend to meet the housing need and act on commitments set out in Delivering Pathways to Affordable Homes. The proposals recommended programmes of delivery across accommodation of different tenures, including Temporary Housing.
- 3.8. Within the Delivery Plans, there was a recognition that 163 units of EA/TA are needed (whether owned or leased) in Worthing between 2021 and 2023 to meet demand. However, the cost of providing EA and TA accommodation continues to rise. Net average annual cost per placement is £7,950. Considerable savings are possible with the Council owning its own stock of EA/TA; as a result, the Delivery Plans demonstrate an aim of 65 (40% of total demand) of units to be directly delivered, owned and managed by the Council.

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

- 4.1. A variety of options have been examined to understand the optimal future of the Victoria Road site.
- 4.2. Retaining and re-letting the existing buildings
  - 4.2.1. A structural survey of the temporary buildings on the site indicated that one is sound and could be used in the short-term (1-2 years), after which significant investment would be needed to prolong its life. The other has a corroded steel frame which has failed and combined with damage to the walls and roof is considered beyond economical repair.
  - 4.2.2. If one building and the accompanying land were to be made available to let to a community group, inline with the existing permitted use,

then a rent in the region of £2,000 - £3,000 per annum could be achieved. However, this would only be a lease with a maximum term of say 5 - 10 years, possibly shorter, as the structure would eventually be beyond economical repair and require decommissioning. The site is therefore considered of little value to the Council as it is currently used.

#### 4.3. Redevelopment as Council-owned EA/TA

4.3.1. A feasibility study for a small block of flats has been carried out by architects ECE which looked to make full use of the development potential of the site. Early discussions with planning officers have indicated that if the site were re-developed for affordable housing the loss of community use would not be an issue.

4.3.2. An appraisal for temporary accommodation estimates that a saving of £25k against the cost of providing bed and breakfast accommodation would be made in the first year of operation with a lifetime saving of £6m.

#### 4.4. Disposal of the site

4.4.1. Options for disposal of the site have been considered to establish the likely income each would provide which could be used to fund priority projects.

4.4.2. If the Council were to demolish the building entirely and then market the land under a ground lease opportunity to a community group or similar entity, the site could command a ground rent from £0 to £3,000 per annum. With this option, any redevelopment opportunity would be lost and income prospects against the land value would be extremely low.

4.4.3. Based on the site being sold for residential development, it could command a price on the open market in excess of £300,000. This figure would need to be confirmed by a detailed valuation however the benefit of this capital receipt would not be comparable to the longer term financial return derived from the proposed redevelopment for TA.

#### 4.5. Development for commercial or industrial use

4.5.1. Redevelopment or long term commercial (e.g. offices or retail) or industrial (starter units) use of this site is unlikely to be the best use of this asset given the size and location of the site being within a sought after central residential area.

#### 4.6. The Preferred Option

- 4.6.1. A community use of the site produces little income for the Council and there is currently no clear demand for this from a priority group. The appraisal concludes that the retention and redevelopment of the site by Worthing Borough Council for EA/TA could maximise its potential and provide temporary accommodation for homeless households, a need identified in the 'Delivery Pathways' document. This would result in a saving of around £6m to the Council's temporary accommodation costs over the life of the scheme and provide the best financial return to the Council.
- 4.6.2. A more in-depth feasibility study has been undertaken to assess the site's suitability as a site for EA/TA. The key aims of the scheme are:
- a. To provide purpose-built accommodation for Emergency and Temporary use - providing single people, partners and families in need a safe and comfortable place to stay for approximately 6 months to 1 year.
  - b. To deliver well-designed accommodation which is economically viable on a council owned site, in need of regeneration, which has outdated, poor quality buildings that are no longer fit for purpose.
- 4.6.3. Local architects ECE have worked up a scheme which meets these aims. The scheme includes a building of three storeys, located to the front of the site to keep the building line, with amenity and car parking space to the rear.
- 4.6.4. Current proposals include 11 residential units, 7 x 1 bedroom flats and 4 x 2 bedroom flats, with 6 parking spaces. The top floor is set back to reduce bulk, and the height of the building is in-line with others on the road.
- 4.6.5. The homes will be managed by the Council's Housing Needs Management team, as Emergency/Temporary Accommodation; if demand for this type of accommodation diminishes, homes can be repurposed for General Needs.
- 4.6.6. Development costs are estimated at £3,402,840. The Development Management Team will bid for funding from Homes England to cover approximately 17% of the development costs, with the remainder funded by Worthing Borough Council's General Fund as a spend to

save initiative, resulting in savings of approximately £6m over 50 years (or £5.3m should Homes England funding not be forthcoming).

#### 4.7. Risks & Mitigation

4.7.1. A table identifying the key risks in progressing and delivering the project and the measures proposed to address them is provided below.

| Risk   | Mitigation  |
|--|---|
| Site due diligence identifies challenging conditions     | Early surveys have been carried out at feasibility stage, including a preliminary ecological assessment (PEA), topographic survey, stats/utilities search and Report on Title. Others will be undertaken prior to planning submission, including ground penetrating radar (GPR) and soil/contamination. The impact of the findings of these surveys will be considered within final scheme proposals and fully costed. For now, costs include a 20% contingency designed to cover any additional costs arising from unknowns. |
| Planning permission withheld                             | The design team have taken scheme proposals to the Council's planning officers who have identified issues which need addressing within an application. The officers were positive about the principle of development and the opportunity the scheme provides to develop a positive frontage along Victoria Road.  |
| Relationship with surrounding buildings                  | Design will strive to be policy compliant in terms of overlooking, daylight/sunlight etc.   |
| Costs increase due to e.g. inflation/materials shortages | A contingency of 25% has been included in the construction budget and the viability of the scheme assessed including this contingency.  |
| Funding from Homes England is not forthcoming            | The development appraisal excludes anticipated funding and Homes England funding will be considered a windfall. The scheme has been introduced to Homes England who has confirmed that, provided that the scheme meets its requirements around affordability and tenure, it is potentially fundable.  |

#### 4.8 Indicative Timeline

4.8.1 RIBA Stage 2 design will commence June 2022 with public consultation in July and a planning application expected in Autumn.

4.8.2 Following a tender process and subject to planning permission, construction is expected to commence Spring 2023 with homes complete in Spring 2024.

## 5. Engagement and Communication

- 5.1. This approach has been developed through engagement with executive members, the Council's Housing Management Team and Affordable Homes Delivery Group.
- 5.2. Housing Management in particular has been integral to ensuring that the proposals meet the need of their customer base and enable efficient, effective management.
- 5.3. The Council's Planning Team have also been consulted who support the principle of the scheme and have provided comment on the issues which will need addressing within a planning application.
- 5.4. As development proposals progress, the team will engage with local people through face to face and online consultation exercises and statutory planning obligations.

## 6. Financial Implications

- 6.1. The Council currently has an unallocated budget of £3.1m for the provision of temporary and emergency accommodation.
- 6.2. It is expected that the scheme will attract funding from Homes England at £40,000 per unit which will increase the funding available to £3.5m which would be sufficient to fund the proposed scheme.
- 6.3. Overall the scheme is expected to cost £3,402,840 which can be broken down as follows:

|                                   | £                     |
|-----------------------------------|-----------------------|
| Build Costs                       | 2,527,880             |
| Allowance for optimism bias @ 25% | 676,170               |
| Fees                              | 176,790               |
| Fitting Out                       | 22,000                |
| Proposed Initial Budget           | <hr/> 3,402,840 <hr/> |

- 6.4. The proposed investment in Victoria Street is expected to generate savings in the cost of temporary accommodation in the first full year of operation as follows:

| Summary for report                         | Develop | Bed and Breakfast |
|--|---------|-------------------|
|  | £       | £                 |
| Total debt charges                         | 119,060 |                   |
| Staffing costs                             | 15,700  |                   |
| Running costs                              | 28,050  |                   |
| Average costs of alternative accommodation |         | 192,750           |
| Total costs                                | 162,810 | 192,750           |
| Less: Income                               | -70,230 | -70,230           |
| Impact of voids                            | 4,400   |                   |
| Net cost                                   | 96,980  | 122,520           |
| Net annual saving                          |         | 25,540            |

However the level of saving is predicated on a successful bid to Homes England for funding.

- 6.5. In the longer term, it is expected that the proposed development will continue to save the Council resources, with a more favourable net present value over the next 50 years.

|  | Net annual cost<br>(first operational<br>year) | Net cost /<br>income(-) over<br>50 years | NPV over 50<br>Years Cost/<br>income (-) |
|--|--|--|--|
| Purchase for Temp Accommodation                | £96,980  | £4,343,130                               | £1,587,209                               |
| Current B&B arrangements                       | £122,520                                       | £10,363,880                              | £4,932,068                               |
| Annual saving                                  | £25,540  |  |  |
| Average annual saving over appraisal<br>period |  | £120,420                                 |  |
| % revenue saving                               | 21%  | 58%                                      |  |
| Saving over 50 Years build compared<br>to B&B  |  | 6,020,750                                |  |
| IRR  | 1.83%  |  |  |

- 6.6. If the Council is unsuccessful in it's bid to Homes England then the viability of the scheme will decline as follows:



|  | Net annual cost<br>(first<br>operational<br>year) | Net cost /<br>income(-) over<br>50 years | NPV over 50<br>Years Cost/<br>income (-) |
|--|---|--|--|
| Purchase for Temp Accommodation                | £110,170  | £5,016,330                               | £1,807,735                               |
| Current B&B arrangements                       | £122,520  | £10,363,880                              | £4,932,068                               |
| Annual saving                                  | £12,350   |  |  |
| Average annual saving over appraisal<br>period |   | £106,951                                 |  |
| % revenue saving                               | 10%   | 52%                                      |  |
| Saving over 50 Years                           |   | £5,347,550                               |  |
| IRR  | 1.86%   |  |  |

6.7. However, given the level of uncertainty over inflation and interest rates, prior to letting the contract a further appraisal will be required once the final contract price is known to ensure that the scheme has remained viable. This report will also confirm the funding of the scheme.

Finance Officer: Sarah Gobey

Date: 13th May 2022

## 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 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
- 7.3 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.
- 7.4 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.

7.5 When entering into a public contract, the authority is required to comply with the procurement procedures, found in the Councils' Contract Standing Orders found at Part 4 of the Councils' constitution. Where the Contract involves an above threshold contract for works or services, the Council should additionally have regard to the Public Contract Regulations 2015.

7.6 If the Council applies for and receives an amount of grant funding, it must ensure that the project officers are aware of, and comply with, the grant funding terms and conditions.

Legal Officer: Joanne Lee

Date: 09/05/2022

### **Background Papers**

- Platforms for Places: Going Further 2020-2022
- 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, 2020 update)

## **Sustainability & Risk Assessment**

### **1. Economic**

This proposal will lead to the creation of emergency housing available to eligible local families at what is considered 'affordable' levels (no more than 80% of market rent or no more than the 90% of 2011 Local Housing Allowance; whichever is lower) - this helps ensure that the family in need do not have to worry about being able to afford the cost of the accommodation. During this time the Council's 'Opening Doors' programme will support residents into permanent accommodation.

### **2. Social**

#### **2.1 Social Value**

The proposals will provide temporary homes which are purpose built and local - reducing the need to put families into substandard, small or cramped accommodation, or rehouse them outside the area.

#### **2.2 Equality Issues**

Worthing Borough 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.

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

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 and no issue identified.

### **3. Environmental**

Homes will be designed to be well insulated and gas-free, thereby allowing present and future consumption of renewable electricity. Care will be taken to design homes to minimise consumption of water, minimise run-off to sewers, address overheating risks and promote sustainable transportation measures.

### **4. Governance**

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