



REPORT OF:	HEAD OF PROPERTY
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TO:	EXECUTIVE
EXPECTED DATE OF DECISION:	10 September 2015
EXECUTIVE MEMBER:	COUNCILLOR NATALIE BRAMHALL

KEY DECISION REQUIRED:	Yes
WARD (S) AFFECTED:	Horley West

SUBJECT:	Lee Street Housing Development
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RECOMMENDATIONS:

- 1) Authorise the Head of Property to progress the development of the site for two bungalows in accordance with the Planning consent received, subject to the strategy set out in this report and further key stage sign off by the Head of Property in consultation with the Portfolio Holders for Finance and Property and Regeneration. The project to be progressed in accordance and within the financial parameters set out in Part 2 of this report.
- 2) Authorise the Head of Property in consultation with the Portfolio Holders for Finance and Property and Regeneration to procure all necessary consultants to enable the scheme to be progressed through to Planning and tendering of the project to suitable main construction contractors, subject to the Council's procurement requirements and key stage sign off set out in this report and the budget envelope set out in Part 2 of this report.
- 3) Authorise the Head of Property in consultation with the Portfolio Holders for Finance and Property and Regeneration to appoint the main building contractor and grant the building contract subject to compliance with the Council's Contract Procedure Rules, key stage sign off and meeting the budget envelope set out in Part 2 of this report.
- 4) Authorise the Head of Property to fund the project through applicable funding acquired through section 106 contributions to support the Councils temporary housing strategy.

REASONS FOR RECOMMENDATIONS:

The redevelopment would provide the following benefits to the Council:

- 1) Develop a redundant commercial property on a brownfield site into an asset and income stream.
- 2) The development will support the Councils Temporary Accommodation strategy.
- 3) Provide temporary accommodation for the Borough's homeless.
- 4) The completed asset will provide an addition to the property stock which could be sold if it becomes surplus to requirements.

EXECUTIVE SUMMARY:

The purpose of the report is to provide details of a proposed residential development with a view of obtaining permission to demolish a redundant commercial asset and build two bungalows.

The land adjacent to Horley Sewage Treatment Works has served no functional purpose to the Council for over 25 years. The site previously occupied by Thames Water is now in the Council's freehold ownership. This has allowed the Council to design a scheme which now has Planning consent.

A financial appraisal of the site determined that the best value for the Council is to develop the site for housing and utilise the housing units as temporary accommodation to support the Council's strategy. The developed bungalows will help to reduce the amount of money the Council spends on bed and breakfast charges as well as providing a rental income. This is expected to generate approximately £61,000 per annum of savings and income for the Council on a build cost of £370,000 inclusive of fees but excluding vat. The build cost will be funded from available reserves acquired by virtue of Section 106 contributions.

Executive has authority to approve the Recommendations.

STATUTORY POWERS

1. The Council has no statutory obligation to undertake this work but has general powers of competence under Section 1 Localism Act 2011 to undertake any activity which an individual with full capacity may undertake. This includes improving service provision and the quality of life in identified regeneration areas by developing the Council's own land.

BACKGROUND

2. The site is located on land adjacent to Horley Sewage treatment works with a single storey brick built structure with a concrete roof and critical windows. The structure had previously been used as an office for the sewage works.
3. Executive approval has previously been granted, to allow the purchase of the interest previously held by Thames Water.
4. Planning permission has been granted for the demolition of the single storey building and erection of 1no. Two bedroom bungalow and 1no. Three bedroom bungalow with associated hard and soft landscaping Reference 15/00216/F. Planning permission was granted on 06 May 2015. Two storey housing had been proposed for this location but deemed inappropriate in this area.
5. Executive approval has been previously granted to use Section 106 affordable housing contributions of up to £250,000 to provide temporary accommodation to reduce bed & breakfast (B&B) expenditure. This project will exceed the spending threshold approved. The provision of two bungalows will enable homeless families to be placed in suitable self-contained temporary accommodation within the borough and reduce the costs of B&B to the Council.
6. It is proposed that suitably qualified construction professionals be appointed to procure a suitable contractor to construct the proposed bungalows. The project will

be procured through the In-tend portal and will be contracted utilising the JCT Design and Build Contract. All procurements associated with the project will meet the Councils Procurement Rules.

7. The project cost forecast is set out in part 2 of this report.

KEY INFORMATION

Temporary Accommodation Issues

8. The newly constructed bungalows are proposed to be used as temporary accommodation for the homeless. Each additional unit provided by the Council makes a saving to B&B expenditure. It is expected that each of the bungalows will save the Council around £20,000 to £29,000 per property per year. This is based on an average B&B cost to the Council of between £390 - £560 per week for accommodating a family.
9. The properties will generate a rental income to the Council of between £8,400 and £9,100 gross per year. Management and maintenance costs will be met by the rental income and therefore the anticipated net rental income is estimated between £6,000 to £6,800 per property.
10. The project is proposed to be funded by Section 106 affordable housing contributions. No additional resources are required. If the properties are disposed of in the future the investment from the Section 106 affordable housing contributions must be reused for other affordable housing. Any surplus generated can be retained by the Council.

ISSUES

11. Local development of this site will create jobs within the local construction industry. It is widely documented that creation of local employment benefits the local economy where local workers spend their money.

OPTIONS

12. Develop to sell – it is estimated this option will yield a profit of £305,000. The budget allocated to fund this project is from Section 106 affordable housing contributions, which would be reused for affordable housing purposes if the properties were sold on the open market. This is not the recommended option because it would not support our temporary housing strategy.
13. Develop for affordable housing – this option will yield a profit of £102,500 and provide social benefits for the borough. This is not the recommended option as it does not provide the best value for money for the Council.
14. Sell land with planning permission – this option will yield a profit of £225,000. This is not the recommended options as it does not provide the best value for money for the Council.
15. Develop for temporary accommodation – this option would be worth approximately £61,000 per annum. This is the recommended option.

LEGAL IMPLICATIONS

16. As stated under the Statutory Powers section of this report, the Council has general powers of competence under Section 1 Localism Act 2011 to undertake any activity which an individual with full capacity may undertake. This includes improving service provision and the quality of life in identified regeneration areas by developing the Council's own land.
17. The Council must show that any commercial activity would benefit its area and the residents, and that the profit generated by such an activity is only ancillary to the general benefit to the residents. If profit is the main driver, then a special purpose company must be created for that purpose.
18. However, this scheme would clearly generate significant social benefits to the Borough by providing additional temporary housing accommodation for residents in accordance with the Council's Temporary Housing Strategy as well as creating local jobs. The profit the Council would generate for any future disposals is therefore ancillary, which means that the Council has the capacity to develop the land itself.

FINANCIAL IMPLICATIONS

19. There are no further financial implications at this stage but individual proposals will be reported at Executive should additional funding be required.

EQUALITIES IMPLICATIONS

20. There are no equalities implications arising from this project.

RISK MANAGEMENT CONSIDERATIONS

21. Ecological and contractor insolvency continue to be the biggest risk effecting projects of this nature.

OTHER IMPLICATIONS

22. No other implications

CONSULTATION

23. Executive Members have been consulted on the proposals both formally and informally.
24. The Legal Services Manager and Chief Finance Officer have been consulted on the contents of this report.

POLICY FRAMEWORK

25. The recommended option complies with the Council's financial priority to optimise its finances as set out in our Financial Strategy.

Background papers:

- Planning permission documents: <http://planning.reigate-banstead.gov.uk/online-applications/simpleSearchResults.do?action=firstPage>
- Site Location Plan - Drawing Number 101.