



<b>SIGNED OFF BY</b>	Director of People
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<b>TO</b>	Executive
<b>DATE</b>	Thursday, 18 April 2019
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Housing and Benefits

<b>KEY DECISION REQUIRED</b>	Y
<b>WARDS AFFECTED</b>	Horley West;

<b>SUBJECT</b>	Update - Development of Lee Street Horley Site
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<b>RECOMMENDATIONS</b>
(i) <b>Approve the increase of total budget allocation of Section 106 contributions for the Development of Lee Street Horley site as set out in paragraph 11 of the Exempt Report on the Executive Agenda.</b>
<b>REASONS FOR RECOMMENDATIONS</b>
This development site will deliver four additional affordable housing units for single people on a disused site. It will support the Council's commitment to deliver additional housing for local people and will be funded by Section 106 contributions.
<b>EXECUTIVE SUMMARY</b>
It is proposed that this small site delivers four small single person homes built using modern construction methods. A number of modular build companies have been explored. It is clear that many companies are geared to volumetric builds at significant scale and have not expressed an interest in this small project. Two modular procurement frameworks have also been explored. A tender exercise has been completed through the NHS Modular Building Framework. The costs of the project are higher than anticipated and an increased Section 106 funding allocation is required to undertake the development project. The full financial details are set out in the Exempt Report in the Executive Agenda. This report seeks agreement for the allocation of additional funding which will be met Section 106 receipts received by the Council in lieu of on-site affordable housing delivery.

**Executive has authority to approve the above recommendations**

**STATUTORY POWERS**

1. The Council has statutory obligations to prevent homelessness and has homelessness duties to households under the Homelessness Reduction Act 2017, Localism Act 2011, Homelessness Act 2002 and Housing Act 1996. The delivery of these homes will assist the Council to meet these duties.

**BACKGROUND**

2. An Executive Report in September 2015 set out a proposal to develop two semi-detached bungalows on this site. The budget was approved and planning permission granted. However, little interest was generated through a competitive tender exercise and, of those received, costs were significantly higher than expected and above the approved budget.
3. In June 2018, a further Executive Report outlined a revised development scheme for the site as a result of a re-focus of the Council's homelessness priorities. Given progress on reducing expenditure on Emergency Accommodation (EA) and the development of the Massetts Road scheme, the decision to prioritise this site for single people and deliver homes using off site construction methods was made. Additional budget for the scheme was approved by Executive to progress this project.

**KEY INFORMATION**

**Current position**

4. Since June 2018 a number of modular build companies and procurement models have been explored to understand this industry further and identify the most appropriate option. From this process it became clear that many large modular companies are geared up to deliver volumetric builds at great scale. Due to the size of this scheme, they have not expressed an interest in partnering with us and therefore smaller companies have been explored.
5. Further research identified a Modular Building Procurement Framework. This Framework was explored in detail. However only one of the five companies operating in the South East in this Framework expressed an interest in the project. Unfortunately, the interested company did not respond to further contact from the Council.
6. A second Modular Building Procurement Framework, the NHS Modular Build Framework, was identified as a potential source of contractors. A tender competition exercise was completed. The details of the outcome are set out in the exempt report in Part 2. The most significant outcome of this process has been to confirm that the cost of procurement exceeds the budget approved by Executive in June 2018. There is a requirement seek approval to the allocation of additional funding if the off-site construction project is to be progressed.

## **OPTIONS**

7. Option 1 is to approve the additional funding allocation as set out in the exempt report in Part 2 of the agenda. This is the recommended option as it will enable progression of the scheme to deliver four single person affordable homes for local people which will support the priorities outlined in the Outline Corporate Plan and Outline Housing Strategy.
8. Option 2 is to not authorise the allocation of additional funding and instead undertake a further review of the site and of the type of housing it should deliver. This is not the recommended option because our priority is to deliver a housing option for single people on this small site.
9. Option 3 is to dispose of the site. This is not the recommended option; this is a small constrained site with limited development options which would limit its value. The Council has already invested in works to prepare the site and to develop a scheme. The opportunity exists for the Council to maximise use of the site to help single person households in need of affordable housing.

## **LEGAL IMPLICATIONS**

10. There are no specific legal implications related to this report.

## **FINANCIAL IMPLICATIONS**

11. The financial implications of the recommendations are set out in the exempt report in Part 2 of the agenda.

## **EQUALITIES IMPLICATIONS**

12. There are no equalities implications arising from this proposal.

## **COMMUNICATION IMPLICATIONS**

13. There are no significant communication implications arising from this proposal.

## **RISK MANAGEMENT CONSIDERATIONS**

14. The main risks in terms of undertaking this development are in terms of construction cost changes. A competitive tender process has been undertaken for the works. A contract mechanism has been included to enable renegotiate the price in the event of unforeseen circumstances and this is reflected in the allocation of project budget contingency for unexpected costs.
15. There remains a risk costs could increase if unexpected ground conditions are identified. The project will be closely monitored at every stage to enable management of any financial or other risks and reported monthly through the internal project management system.

**CONSULTATION**

16. All Executive Members have been consulted about the proposals in this report. The Strategic Property Advisory Officer Group has also been consulted.

**POLICY FRAMEWORK**

17. The scheme is aimed at low paid or unemployed single people and includes support to support them into employment or to improve their existing employment prospects. It directly supports the Council's Five Year Plan priority to support residents into employment. It also supports the Outline Corporate Plan to deliver more affordable homes in the borough and the Outline Housing Strategy.

**BACKGROUND PAPERS**

None