



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

SIGNED OFF BY	Director of People
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TO	Executive
DATE	Thursday, 27 February 2020
EXECUTIVE MEMBER	Portfolio Holder for Housing and Benefits

KEY DECISION REQUIRED	Y
WARDS AFFECTED	Horley West and Sidlow;

SUBJECT	Lee Street Development: confirmation of the updated capital budget forecast and seek authority to progress the planning and build stages.
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RECOMMENDATIONS

That:

- (i) The updated capital scheme forecast including the allocation of a further £234,000 Section 106 funding be accepted and approved.**
- (ii) The Head of Housing be authorised in consultation with the:**
 - Head of Finance**
 - Head of Legal and Governance**
 - Executive Member for Housing & Benefits**
 - Executive Member for Finance**
 - Executive Member for Investment and Companies**
- a) To enter into a contract to build with the recommended contractor (further to a successful outcome at Planning Committee and a compliant tender process), subject to a planning consent being granted and costs falling within the approved capital budget detailed within the exempt report in Part 2 of the agenda.**
- b) To appoint and enter into contracts (as required) with any remaining consultants or suppliers to allow the contract to progress to completion.**

(iii) The Head of Housing be authorised in consultation with the:

- **Head of Legal & Governance**
 - **Executive Member for Housing & Benefits**
 - **Executive Member for Finance**
 - **Executive Member for Investment and Companies**
- a) **To enter any Easements, Licences, Covenants or Wayleaves relating to the development.**
- b) **Complete Party Wall agreements as required on the development**
- c) **Authorise new leases granted or entered into by the Council on this development.**

REASONS FOR RECOMMENDATIONS

The scheme presented to Executive in June 2018 was deferred at Planning Committee in October 2019. Further dialogue between Members and Officers highlighted that an increase to unit sizes to meet National Space Standards, and a more traditional construction approach would be favoured.

These amendments have been made and agreement is now sought from Executive to approve the updated scheme budget and a further Section 106 funding allocation of £234,000 in order to see the project through to practical completion and proceed with the development process, subject to planning permission being achieved on the revised design.

EXECUTIVE SUMMARY

- The proposed Lee Street development is required to help house single people. Since the Homelessness Reduction Act, enacted in April 2018, Housing Services has been assisting an increasing number of single people and this trend is expected to continue.
- Several proposals have historically been undertaken for this site, providing designs for a variety of different construction methods. Given the lack of appetite to continue with a SIPS (structural insulated panels system) design, a revised scheme to be delivered in a more traditional brick-built design has now been undertaken. The pre-tender estimate for a traditional scheme is higher than for the SIPS scheme due to the knock-on implications on areas such as foundation design.
- Regardless of the higher construction costs, an increase in budget would have been requested to accommodate both the increase to the SIPS build costs (as the preferred tender submission exceeded the pre-tender estimate), and for professional costs which were not detailed in the original report to Executive.

Executive has authority to approve the above recommendations

STATUTORY POWERS

The Council has no statutory obligation to undertake this work but has general powers of competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provision of the Act.

BACKGROUND

Original Proposal

1. The proposal which was deferred at October's Planning Committee included 4 x 1-bedroom bungalows, intended for single people. The properties were designed to be delivered as SIPS construction. Construction time is typically shorter with a SIPS build as the external envelope can be built quite quickly, they have excellent insulating properties, and life-cycle costs tend to be lower than with traditional construction methods. However, the initial outlay can often come in higher than traditional construction methods for smaller projects.
2. Concurrent with the previously submitted planning application, the construction of the project was put out to tender, in accordance with our procurement procedures. Three tenders were received. The lowest tenderer, despite coming in slightly below the pre-tender estimate (PTE), was not considered to have the required experience to deliver the SIPS system and was not recommended by our Employer's Agent. The recommended tenderer was 12.48% higher than the pre-tender estimate. The third contractor priced themselves out of the tender. The three estimates are included in the exempt report in Part 2 of the agenda.
3. The application to develop 4 x 1-bedroom bungalows was itself a revised proposal. A historic proposal for this scheme, delivering 2 x 2-bedroom bungalows, had been rejected as tenders for that proposal had come in 35% higher than pre-tender estimates, and as such, delivering an alternative "innovative" scheme was hoped to reduce build times, and as such reduce costs.

KEY INFORMATION

Revised Position

4. The scheme has now been revised to increase each unit by the 1m² required to meet National Space Standards and has been redesigned to allow it to be constructed using a brick built "traditional" construction approach.
5. The PTE for this has come in slightly higher than the estimate for the SIPS designed scheme. Our Employer's Agent has detailed that the increase in costs is due to the necessary change to piled foundations (required because of the impact on the 'loading' from changing materials) and associated main contractor on-costs, the change to a design and build form of contract incurring main contractor's design fees, and a small increase due to inflation.
6. It is recommended in this report that the Council proceed with the revised position to ensure that there is no further spend on project redesign and associated consultant fees.

7. Submission of an amendment to the planning application is underway to revise the design and materials. Approval is now sought to progress to tender stage and enter into a build contract with the most financially advantageous contractor, dependent on receiving a positive outcome at Planning Committee, and subject to the scheme adhering to the financial position detailed in the exempt report in Part 2 of the agenda.

Affordable Housing Commitment

8. The Council remains committed to providing housing of all sizes and tenure. The recently adopted Development Management Plan (September 2019) states, “housing choice and flexibility are important considerations for those living or seeking to live in the borough” and “providing a range of types of homes encourages more balanced communities”.
9. The Council’s Housing Delivery Strategy (December 2019) specifically outlines that “whilst single people with complex needs are a relatively small group the numbers are increasing and accommodation options remain extremely limited or non-existent”, this scheme can help some of this cohort’s pathway to independence once tenancy ready. The Council’s Housing Register currently has 261 households listed as requiring 1-bedroom accommodation; 238 of these are single people. This is out of a total of 870 households on our waiting list.
10. Despite the rise in anticipated scheme costs for Lee Street and the requirement for a larger amount of funding, the Council remains committed to providing single-person low-cost rented accommodation on this site. It is unlikely that other housing providers would deliver this size and tenure of home, and as such, given that there is no requirement for the Council to buy the land, this should maximise the opportunity to use the space to deliver a much-needed house type.
11. Details relating to the rent levels are set out in the exempt report in Part 2 of the agenda. The rents have been kept low in recognition that the individuals being housed are likely to be on very low incomes. These homes are intended as short-term “move on”, to be let on short-term tenancies. They are intended to provide a springboard for people who may currently be in difficult housing circumstances, prior to moving onto more permanent long-term housing.

OPTIONS

12. Option 1 (**Recommended Option**)- Proceed with the development based on the revised traditional brick and block approach, and approve the updated budget requirement and the further Section 106 funding allocation as outlined in the exempt report in Part 2 of the agenda.
13. Option 2- Revert to the previous position of delivering the units via a SIPS system. **This is not a recommended option** as re-designing the scheme to meet National Space Standards in this built form will incur further architectural fees, and the Council will incur a further time delay which may lead to additional inflationary costs.

14. Option 3- Not proceed with the development. **This is not a recommended option** as the site is sitting vacant and can be better utilised for housing purposes. Not proceeding may incur reputational damage with the public as well given that this site has been promoted historically.

LEGAL IMPLICATIONS

15. The Council has general powers of competence under Section 1 of the Localism Act 2011 to undertake any activity which an individual with full capacity may undertake. This includes improving service provision and quality of life.

FINANCIAL IMPLICATIONS

16. The capital and revenue implications of the proposals have been set out above and in more detail in the exempt report in Part of the agenda.

17. In order to see the project through to practical completion an additional £234,000 will be required to be allocated from Section 106 funding.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

19. Communications will respond to any media enquiries which may arise due to the delay to the proposed start-on-site.

RISK MANAGEMENT CONSIDERATIONS

20. The main risk for the Council in undertaking development re in terms of construction cost changes and market fluctuations.

21. However, in this case, the se risks have been considered. We have received a PTE to give us an indication of what the build costs are likely to be. We will undertake a competitive tender exercise to procure a contractor and will fix the price upon entering into contract. In addition, a decision to utilise a JCT Design & Build contract on this project will further minimise the level of risk that the Council is exposed to.

22. Given the level of demand on our Housing Register there is minimal risk of the properties not being let upon completion.

OTHER IMPLICATIONS

- There are no further implications to be considered.

CONSULTATION

23. The Portfolio Holder for Housing and Benefits has been consulted regarding these proposals.

POLICY FRAMEWORK

24. Our Vision: This development helps us to meet our vision to make the borough a great place to live, work in, do business in and visit.

25. People Objectives: This development helps us to meet our objective to deliver homes that can be afforded by local people and provides a wider choice of tenure, type and size.

BACKGROUND PAPERS

1. Corporate Plan 2015-20 - http://www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/plans_and_policies/corporate_plan/index.asp
2. Housing Delivery Strategy 2020-2025 - http://www.reigate-banstead.gov.uk/info/20040/housing/550/housing_strategies/3
3. Development Management Plan 2020- 2025 - http://www.reigate-banstead.gov.uk/info/20380/current_planning_policy/888/development_management_plan