Public Document Pack

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17 March 2022

ECONOMY COMMITTEE

A meeting of the Economy Committee will be held in **Council Chamber, Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** on **Tuesday 29 March 2022 at 6.00pm** and you are requested to attend.

Members: Councillors Cooper (Chair), Gunner (Vice-Chair), Dixon, Edwards, Northeast, Roberts, Seex, Mrs Staniforth, Stanley, Dr Walsh and Yeates

PLEASE NOTE: Where public meetings are being held at the Arun Civic Centre, to best manage safe space available, members of the public are encouraged to watch the meeting online via the Council's Committee pages.

1. Where a member of the public wishes to attend the meeting or has registered a request to take part in Public Question Time, they will be invited to submit the question in advance of the meeting to be read out by an Officer, but of course can attend the meeting in person. There will be limited public access to this meeting and admission for public speakers will be by ticket only, bookable when submitting questions. Attendees will be asked to sit in an allocated seat in the public gallery on a first come first served basis. Only one ticket will be available per person.
2. It is recommended that all those attending take a lateral flow test prior to the meeting.
3. Those attending the meeting will not be required to wear a face covering however, are encouraged to bring one along to cover instances where a meeting may have higher public attendance. Masks will be made available at the meeting.
4. We request members of the public do not attend any face-to-face meeting if they have Covid-19 symptoms.

Any members of the public wishing to address the Committee meeting during Public Question Time, will need to email Committees@arun.gov.uk by 5.15 pm on Monday, 21 March 2022 in line with current Committee Meeting Procedure Rues.

It will be at the Chief Executive's/Chair's discretion if any questions received after this deadline are considered. For further information on the items to be discussed, please contact Committees@arun.gov.uk

A G E N D A

1. APOLOGIES

2. DECLARATIONS OF INTEREST

Members and Officers are invited to make any declaration of pecuniary, personal and/or prejudicial interests that they may have in relation to items on this agenda and are reminded that they should re-declare their interest before consideration of the items or as soon as the interest becomes apparent.

Members and Officers should make their declaration by stating:

a) the item they have the interest in
b) whether it is a pecuniary/personal interest and/or prejudicial interest
c) the nature of the interest

3. MINUTES

The Committee will be asked to approve as a correct record the Minutes of the Economy Committee held on 19 January 2022.

4. ITEMS NOT ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES

5. PUBLIC QUESTION TIME

To receive questions from the public (for a period of up to 15 minutes)

6. LITTLEHAMPTON PUBLIC REALM IMPROVEMENTS - PHASE 1 (TERMINUS ROAD) CONTRACTOR APPOINTMENT (Pages 1 - 14)

This report seeks approval of the Economy Committee to accept and draw down funding from West Sussex County Council (WSCC) and enter into a collaboration agreement to undertake phase 1 (Terminus Road) works and to appoint the construction contract for the delivery of the regeneration works to Edburton by way of contract variation and to delegate authority for all approvals within the allocated budget of £1.253m to the Director of Place.

7. <u>TOURISM MARKETING CAMPAIGN</u> (Pages 15 - 18)

This report is requesting the Committees approval to commission a tourism marketing campaign to support and promote the Arun visitor economy.

8. <u>CONSIDERATION OF OPTIONS FOR PIER ROAD, LITTLEHAMPTON</u> (Pages 19 - 22)

Pier Road has been closed to traffic under Covid 19 measures during summer 2020 and summer 2021. This report asks the Committee to consider undertaking consultation regarding future closures and, if agreed, whether these should be partial, full, permanent, or seasonal.

9. <u>CLOSURE OF TRISANTO DEVELOPMENT CORPORATION LTD</u> (Pages 23 - 66)

This report follows on from a consideration of this matter on the 8 June 2021 when it was resolved that the business case and risk register should be updated to confirm whether the Council wished to invest in the growth of the Company or whether the Company should be formally closed.

10. <u>INSTALLATION OF ADDITIONAL BEACH HUTS IN LITTLEHAMPTON, WEST SUSSEX</u> (Pages 67 - 88)

This report seeks to set out a viable business case for the installation of additional beach huts within Littlehampton. Consent is also sought to proceed to submission of a suitable planning application and to procure the manufacture and installation of beach huts on site. This will ensure the Council secures additional leaseholders and increase service revenue, working towards meeting the known customer demand for access to this popular seaside service.

11. <u>RIVER ROAD GARAGE SITE, ARUNDEL, WEST SUSSEX</u> (Pages 89 - 134)

This report seeks to set out the options available to the Council and make recommendation on how to proceed in respect of the future use of the Council’s freehold site in River Road Arundel

<u>OUTSIDE BODIES - FEEDBACK FROM MEETINGS</u>

None.

12. <u>WORK PROGRAMME</u> (Pages 135 - 136)

The draft Work Programme for 2022/23 is attached for the Committee’s consideration and review.

13. EXEMPT INFORMATION

The Committee is asked to consider passing the following resolution: -

> That under Section 100a (4) of the Local Government Act 1972, the public and accredited representatives of newspapers be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraph specified against the item.

14. DISPOSAL OF LONDON ROAD CAR PARK AND LORRY PARK, BOGNOR REGIS (Pages 137 - 206)

This report seeks to set out the expressions of interest / offers received for the Council's freehold site following the recent public marketing. Further authority is sought to proceed with the disposal of Council freehold land in accordance with the recommendations received from the Council's appointed commercial agent.

Note : **If Members have any detailed questions, they are reminded that they need to inform the Chair and relevant Director in advance of the meeting.**

Note : Filming, Photography and Recording at Council Meetings – The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. This meeting may therefore be recorded, filmed or broadcast by video or audio, by third parties. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and as available via the following link Filming Policy

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ECONOMY COMMITTEE ON 29 MARCH 2022

SUBJECT: Littlehampton Town Centre Improvements – Phase 1 (Terminus Road)

REPORT AUTHOR: **Richard Carden, Economic Regeneration Officer**
DATE: March 2022
EXTN: 01903 737522
AREA: PLACE

EXECUTIVE SUMMARY:

This report seeks approval of the Economy Committee to accept and draw down funding from West Sussex County Council (WSCC) and enter into a collaboration agreement to undertake phase 1 (Terminus Road) works and to appoint the construction contract for the delivery of the regeneration works to Edburton by way of contract variation and to delegate authority for all approvals within the allocated budget of £1.253m to the Director of Place.

RECOMMENDATIONS:

This report seeks approval of the Economy Committee to;

1. Agree to a variation to the existing construction contract with Edburton for the delivery of phase 1 (Terminus Road, Littlehampton) as recommended by a procurement report (appendix 1); subject to Full Council approval of recommendation 2.

The Committee is requested to recommend that Full Council:

2. Accept and draw down £1.253m from WSCC to complete the phase 1 (Terminus Road, Littlehampton) works and add the expenditure and funding to the 2022/23 Capital Programme
3. Approves authority to enter into a collaboration agreement with WSCC that sets out the billing regime for the funds in (1) above and approve the drawdown and expenditure of external funding, and that the terms and conditions are agreed by Legal Services and in consultation with the Monitoring Officer.
4. As per Part 4 – Officers Scheme of delegation (4.3 to 4.7 refers) and under Part 7 of the Council's Constitution, delegate authority to the Director of Place to plan, draw down and make budgetary decisions on the expenditure on this phase in accordance with the terms and conditions and in consultation with the Chair of the Economy Committee.

1. BACKGROUND:

In 2016, and after extensive public consultation, designs were drawn up and approved by the Council for a five-phase town centre-wide public realm improvement scheme including new paving, lighting, planting and public art. The landscape designer was LDA Design who also designed the award-winning riverside walkway.

Funding
In April 2019, the Council was awarded a Coastal Communities Fund grant of £2,452,295 for public realm enhancements for the High Street precinct and pavements/junctions to the railway station where a new gateway to the town is planned. These are Phases 1 and 2 of the five phase overall public realm scheme.

Coast to Capital Local Enterprise Partnership (LEP) Local Growth Fund awarded £564,274 for Phase 3 (Beach Road, East Street) of the scheme in October 2019.
Arun District Council and Littlehampton Town Council each contributed a further £200,000 to Phase 3 for its delivery.

This provided a total budget of £3,416,569.

Procurement

The first round of tendering for the pre-contract design and construction was advertised in June 2020. This did not produce a viable tender bid within budget.

With the agreement of Members, the project was rescoped to exclude the construction of Phase 1, from the railway station to High Street, to bring the project within budget. A second round of tendering was advertised in October 2020 inviting bids for the pre-contract design for all three phases, plus the construction elements for Phases 2 & 3.

The tenders closed on 2 November 2020. Edburton Contractors Ltd were appointed to undertake the pre-contract design work following evaluation of the tenders received. Their price fell within the allocated budget for this work and they provided the most economically advantageous tender. This supplier achieved the highest combined score for price and quality during the tender process and has now commenced construction works on Phases 2 & 3 of the scheme.

In February 2022 WSCC confirmed they would fund the phase 1 works to the sum of £1.253m, by way of a collaboration agreement with the Council, which sets out the payment terms and deliverables. The budget has been established based upon current market pricing and orders made for materials for the phase 2 & 3 works.

Officers received procurement advice (as per the attached report in Appendix 1) that recommended Edburton be appointed for phase 1 of the works for the following reasons;

- Time and cost involved in not having to retender the phase, to carry out a further competitive tender exercise;
- Continuity of design work by using the same contractor and design team (for detailed site design);
- Edburton are already familiar with the project requirement and have performed well

in the initial construction phases of the project;

- Efficiencies in carrying out the works (shorter programme) as the commencement of phase 1 will be concurrent with the final 3 months of the construction period of phases 2 & 3. This will also result in site set up cost efficiencies (use of existing site set up);
- Costs will be based on those agreed for Phase 2 and 3 construction, which are based on the stage 1 competitively tendered rates. Adjustments will be made as required for inflation, quantities and scope. Any packages will be competitively tendered (3 quotes) and benchmarked likewise with the Phase 2 and 3 tendered packages, before the addition of main contractor overhead and profit;
- Cost benefit of managing a single contractor on site (if works were to overlap on site);
- There is a risk of material prices increasing further, however by instructing the works through the existing phase 2 & 3 contract Edburton will be able procure materials more quickly helping to mitigate this risk;
- Lack of interest in the market due to location of the scheme as felt during original tendering and strong current market conditions with contractors being selective over tendering

2. PROPOSAL(S):

It is proposed that the Council accept the funding from WSCC, enter into the collaboration agreement and appoint Edburton Contractors Limited by way of contract variation to the NEC 4 Option A contract to construct the Littlehampton Public Realm Improvement work (Phase1).

The Scope of works is detailed in the RIBA phase 3 report (appended), a brief summary of those works are below:

- Improved pedestrian crossings
- New signs & finger posts
- New kerbs where applicable
- Wider pavements (where applicable)
- New waste bins & recycling bins
- Upgrading lighting throughout scheme
- Enhancement of arrival experience at Littlehampton railway station to improve the initial impression of visitors
- Carriageway is to be narrowed to reduce vehicular dominance
- Footpaths to be widened to aid orientation and increase pedestrian comfort
- The taxi rank is rationalised and moved westwards.
- Tree planting and seating are proposed to enhance the arrival space at the station forecourt.
- Existing pedestrian crossing to remain
- Reconfiguration of junction

The phase 1 works are due to commence October 2022 and complete summer 2023.

3. OPTIONS:		
a. To approve the recommendations as set out in this report.		
b. To not approve the recommendations.		
4. CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council	✓	
Relevant District Ward Councillors	✓	
Other groups/persons (please specify)		
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	✓	
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability	✓	
Asset Management/Property/Land	✓	
Technology		✓
Other (please explain)		

6. IMPLICATIONS:

- Financial –. The Council's approved capital programme for 2022/23 will be increased by £1.253m for this scheme. The Council will receive £1.253m of funding from WSCC to fund the scheme resulting in no increase in funding being required from Arun District Council resources.
- Legal - The Council will commit to enter into a collaboration agreement to allow for funding for the project
- Sustainability – Sustainability is a factor when sourcing materials for the scheme and consideration of maintenance of the completed project.
- Asset Management/Property/Land – ADC will retain responsibility for Littlehampton Town Centre in conjunction with Littlehampton Town Council on completion and therefore its maintenance.

7. REASON FOR THE DECISION:

To progress construction plans for the Littlehampton Town Centre site in accordance with the project programme.

8. BACKGROUND PAPERS:
Faithful & Gould Procurement Note attached

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Procurement Note (Phase 1)

Project: Littlehampton Town Centre Improvements
Date: 12 November 2021

01 Introduction

The following procurement note has been prepared on behalf of Arun District Council (ADC) in relation to Littlehampton Town Centre Improvements scheme that consists of regeneration to public realm areas in the Littlehampton town centre.

The aim of the Improvements is to improve the appearance of the town centre and surrounding public spaces, whilst increasing foot fall and trade to local businesses. The scheme consists of three phases:

Phase 1 (Terminus Road from the railway station to Arundel Road roundabout / The High Street).

Phase 2 (The High Street, east to west, vehicular and pedestrian sections).

Phase 3 (Beech Road, north to south, ending at the War Memorial roundabout).

This report summarises the tender process and evaluation of the two-stage tender relating to the provision of pre-contract design and construction for phases 2 & 3 and analyses the advantages of instructing the phase 1 construction as a compensation event (variation) to the Phase 2 and 3 contract.

02 Original Tender Exercise

The design and construction of Phases 2 and 3 were procured through a competitive two-stage design and build procurement route using NEC4 forms of contract. Included within this procurement exercise was the design only for Phase 1 (up to RIBA Stage 4). During the first stage of this tender process, the competitively tendering contractors were asked to price the following:

- Overheads and profits (oh&p);
- Project preliminaries;
- Surveys;
- The design of phases 1, 2 and 3;
- Construction design fees;
- 5Nr key paving type items that made up 50% of the construction costs.

The paving costs were obtained as these works could be undertaken direct by the contractors (instead of via subcontractors) and to give an element of overall contract sum cost certainly within the first stage tender returns. Whilst these rates would vary in accordance with further design and inflation, they nevertheless would form the basis of subsequent cost build ups for the paving rates.

As well as the cost component of the tender there was a quality questionnaire that accounted for 25% of the tender evaluation.

The contract for the works was awarded to Edburton Contractors Ltd for the following reasons:

- Their quality score of 80/100 at PQQ Stage 1 was the highest;
- Their anticipated tender sum after normalisation was the lowest and thus offered the best value.

03 Evaluation of Edburton Phase 2 and 3 Submission

Following the completion of RIBA Stage 3 and 4 design, Faithful+Gould (F+G) have reviewed the second stage tender submitted by Edburton, and agreed the contract sum for the Phase 2 and 3 construction works. These costs have been assessed to be in accordance with the competitively tendered rates from the first stage tender (see section 02) suitably adjusted for changes in programme duration (preliminaries), inflation to paving costs, and with subcontractor packages competitively tendered and with the agreed oh&p rate then applied to the selected packages.

04 Phase 1 Procurement Strategy

Primary options for main contractor procurement:

1. Competitive single stage tender and appointment under NEC4 contract;
2. Instruct as a compensation event (variation) under the Phase 2 and 3 NEC4 contract (construction works).

After review, it has been assessed that the best approach for ADC to procuring a main contractor for the construction of the phase 1 works, would be to instruct the work as a compensation event to the Phase 2 and 3 NEC4 contract.

The following advantages have been identified from this procurement route:

- Time and cost involved in not having to retender the phase, to carry out a further competitive tender exercise;
- Continuity of design work by using the same contractor and design team (for detailed site design);
- Edburton are already familiar with the project requirement and have performed well in the PSC phase of the project;
- Efficiencies in carrying out the works (shorter programme) as the commencement of phase 1 will be concurrent with the final 3 months of the construction period of phases 2 & 3. This will also result in site set up cost efficiencies (use of existing site set up);
- Costs will be based on those agreed for Phase 2 and 3 construction, which are based on the stage 1 competitively tendered rates. Adjustments will be made as required for inflation, quantities and scope. Any packages will be competitively tendered (3 quotes) and benchmarked likewise with the Phase 2 and 3 tendered packages, before the addition of main contractor oh&p;
- Cost benefit of managing a single contractor on site (if works were to overlap on site);
- There is a risk of material prices increasing further, however by instructing the works through the existing phase 2 & 3 contract Edburton will be able procure materials sooner helping to mitigate this risk;
- Lack of interest in the market due to location of the scheme as felt during original tendering and strong current market conditions with contractors being selective over tendering opportunities;

05 Evaluation of Edburton Phase 1 Submission

At the request of ADC, Edburton have issued to F+G a Phase 1 initial cost submission / estimate and after review, this has been used by F+G to develop a Phase 1 construction works cost estimate (Appendix 1).

Edburton have generally completed the detailed (RIBA Stage 4) design of Phase 1, with just consultations with Network Rail on the works to the Littlehampton railway station to be concluded. Once these and the design are finalised, Edburton would be able to submit to ADC a proposed contract sum and cost build up for review and agreement for the Phase 1 construction works.

The total construction cost of Phase 1 is expected to around 27% of the total construction cost of Phases 2 & 3.

If it is decided to instruct the phase 1 works as variation to the current contract, F+G will carry out analysis and bench marking exercises on the Edburton Final Phase 1 cost submission to ensure value for money.

06 Programme

Phase 2 and 3 Construction Programme

- Start - 10/01/2022
- Completion – 19/12/2022
- Sections 1, 2 and 3 completion 07/10/2022

Phase 1 Approximate Construction Programme (8 months, including a 2 week Christmas shut down)

- Start - 10/10/2022
- Completion – 30/06/2022

Appendix 1

Phase 1 Cost estimate

Littlehampton Town Centre Improvements - Terminus Road
Scheme Budget Estimate

NB: ALL RATES ARE INCLUSIVE OF OH&P

Item	200 Series - Site Clearance	Quantity	Unit	Rate	Amount	F+G Comments & Notes
200/01	Site Clearance General	3100	m2	£1.00	£ 3,100.00	
200/02	Take up or down and Remove to Contractors tip off site precast concrete kerbs (Any Type) including all concrete bedding and backing	400	m2	£12.00	£ 4,800.00	
200/03	Take up or down and Remove to Contractors tip existing surfaces	1300	m	£6.00	£ 7,800.00	
200/04	Take up or down and Remove existing street furniture	1	item	£5,000.00	£ 5,000.00	
				200 Series Value	**£ 20,700.00**	

Item	300 Series - Street Furniture	Quantity	Unit	Rate	Amount	
300/01	Cycle Stands	15	no	£500.00	£ 7,500.00	Rates updated as per Ed Burtons latest submission
300/02	Bins	4	no	3425.41	£ 13,701.64	Rates updated as per Ed Burtons latest submission
300/03	Benches	3	no	£4,000.00	£ 12,000.00	Rates updated as per Ed Burtons latest submission
300/04	Wayfinding	1	Item	£4,000.00	£ 4,000.00	Rates updated as per Ed Burtons latest submission
				300 Series Value	**£ 37,201.64**	

Item	500 Series - Drainage	Quantity	Unit	Rate	Amount	
500/01	Allowance for Drainage	1	Item	£20,000.00	£ 20,000.00	
				500 Series Value	**£ 20,000.00**	

Item	700 Series - Carriageway Works	Quantity	Unit	Rate	Amount	
700/01	Paving / Surface Type 03; Dark grey asphalt, based upon 60mm binder and 50mm surface	1650	m3	£40.00	£ 66,000.00	Rates updated as per Ed Burtons latest submission
700/02	Paving / Surface Type 03; Buff asphalt, based upon 60mm binder and 50mm surface courses	90	m2	£100.00	£ 9,000.00	Rates updated as per Ed Burtons latest submission
				700 Series Value	**£ 75,000.00**	

Item	1100 Series - Footways and Paved Areas (Including	Quantity	Unit	Rate	Amount	
1100/01	Footway comprising of 80mm Kellen Mix 2A on flexibale base	1100	m2	189.45	£ 208,395.00	Rates updated as per Ed Burtons latest submission
1100/02	Footway comprising of 80mm Kellen Mix 2A on flexibale base (X overs)	150	m2	296.61	£ 44,491.50	Rates updated as per Ed Burtons latest submission
1100/03	Footway comprising tactile paving	40	m2	192.42	£ 7,696.80	Rates updated as per Ed Burtons latest submission
1100/04	Precast concrete Conservation Kerb	400	m	100.22	£ 40,088.00	Rates updated as per Ed Burtons latest submission
1100/05	Precast concrete Conservation Channel	30	m	£80.00	£ 2,400.00	
				1100 Series Value	**£ 303,071.30**	

Item	1200 Series - Road Signs and Markings	Quantity	Unit	Rate	Amount	
1200/01	Provisional Sum for Road Markings	1	sum	5000	£ 5,000.00	Rates updated as per Ed Burtons latest submission
1200/02	Provisional Sum for Traffic Signs	1	sum	10000	£ 10,000.00	Rates updated as per Ed Burtons latest submission
				1200 Series Value	**£ 15,000.00**	

Item	1300 Series - Street Lighting and CCTV	Quantity	Unit	Rate	Amount	
1300/01	New Lighting Columns	8	no	£3,000.00	£ 24,000.00	
				1300 Series Value	**£ 24,000.00**	

Item	1400 Series - Electrical Works	Quantity	Unit	Rate	Amount	
1400/01	Sum for Elecrtrical works and Connections	1	Item	£10,000.00	£ 10,000.00	
				1400 Series Value	**£ 10,000.00**	

Item	3000 Series - Soft Landscaping	Quantity	Unit	Rate	Amount	
3000/01	Trees and pits	4	no	3500	£ 14,000.00	Rates updated as per Ed Burtons latest submission
				3000 Series Total	**£ 14,000.00**	

Construction Sub Total #1	**£ 518,972.94**
Unmeasured Items @ 5%	**£ 25,948.65**
Construction Sub Total #2	**£ 544,921.59**

Item	100 Series - Preliminaries	Quantity	Unit	Rate	Amount	
100/01	Site Management	1	%	15.00%	£ 81,738.24	
100/02	Site Accommodation and Welfare including establish maintain and demobilise	1	Item	70,898.43	£ 70,898.43	
100/03	Traffic and Pedestrian Management	1	%	1.00%	£ 5,449.22	
100/04	Traffic Diversions	1	%	3.00%	£ 16,347.65	Have increased from 1% to 3% as may be more Traffic Diversions in this phase of the works
100/05	Site Hoardings and Fencing	1	%	1.00%	£ 5,449.22	
				100 Series Value	**£ 179,882.75**	

CONSTRUCTION TOTAL	**£ 724,804.34**

Littlehampton Town Centre Improvements - Terminus Road
Scheme Budget Estimate

Item	*Other Project Costs - Scheme Related*		Amount
OPC/01	Allowance Service Diversion	£	25,000.00
OPC/02	SSE Lighting approvals / supervision	£	2,000.00
OPC/03	Pre commencement Trail Hole Investigations	£	2,500.00
OPC/04	Addition Site Surveys Required	£	10,000.00
OPC/05	Legal Agreements With Network Rail	£	100,000.00
OPC/06	Drainage Repair		3,500.00
	Other Project Costs Sub Total	**£**	**143,000.00**

Item	*Professional Fees*		Amount
FEE/01	Preliminary and Detailed Design	£	35,000.00
FEE/02	Construction Supervision and PM	£	65,000.00
FEE/03	ADC Internal PM Fees during Construction	£	50,000.00
FEE/04	WSCC Highway s38/278 Fees	£	30,000.00
FEE/05	TRO Fees	£	5,000.00
	Professional Fees Sub Total	**£**	**185,000.00**
	OTH	**£**	**328,000.00**
	SCHEME COST ESTIMATE	**£**	**1,052,804.34**

	INFLATION ALLOWANCE @ 4.0% (assumed Q4 2022)	**£**	**42,112.17**
	RISK ALLOWANCE @ 5%	**£**	**52,640.22**
	OPTIMISM BIAS @ 5%	**£**	**52,640.22**
	ADDIT CONTINGENCY @ 5%	**£**	**52,640.22**
	GRAND TOTAL	**£**	**1,252,837.16**

Appendix 2

Cash Flow Forecast

Project Title: Littlehampton Town Centre Improvements - Terminus Road Phase 1
Date: November 2021

INDICATIVE CASHFLOW FORECAST

£724,804	Revised Contract Sum
3%	Retention %
01/10/2022	Date of Possession
12	Contract Period
01/10/2023	Date for Completion
12	Defects Period

Note

*1 - Inclusive of	£300,000	Advance payment for key paving materials
*12 - Inclusive of	£10,872	for 1st release of retention
*24 - Inclusive of	£10,872	for final release of retention

No.	*1	2	3	4	5	6	7	8	9	10	11	12*
Month	01/07/22	01/08/22	01/09/22	01/10/22	01/11/22	01/12/22	01/01/23	01/02/23	01/03/23	01/04/23	01/05/23	01/06/23
Valuation Cumulative (Gross)	£300,000			£328,000	£375,000	£434,000	£500,000	£567,000	£628,000	£679,000	£713,000	£724,804
Retention	£9,000			£9,840	£11,250	£13,020	£15,000	£17,010	£18,840	£20,370	£21,390	£10,872
Valuation Cumulative (Net)	£291,000			£318,160	£363,750	£420,980	£485,000	£549,990	£609,160	£658,630	£691,610	£713,932
Monthly Payment (Net)	£291,000			£27,160	£45,590	£57,230	£64,020	£64,990	£59,170	£49,470	£32,980	£22,322

No.	13	14	15	16	17	18	19	20	21	22	23	24*
Month	01/07/23	01/08/23	01/09/23	01/10/23	01/11/23	01/12/23	01/01/24	01/02/24	01/03/24	01/04/24	01/05/24	01/06/24
Valuation Cumulative (Gross)												£724,804
Retention												
Valuation Cumulative (Net)												£724,804
Monthly Payment (Net)												£10,872

No.	25	26	*27	28	29	30	31	32	33	34	35	36
Month	01/07/24	01/08/24										
Valuation Cumulative (Gross)												
Retention												
Valuation Cumulative (Net)												
Monthly Payment (Net)												

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ECONOMY COMMITTEE ON 29 MARCH 2022

SUBJECT: TOURISM MARKETING CAMPAIGN

REPORT AUTHOR: Denise Vine – Group Head of Economy
DATE: February 2022
EXTN: 01903 737846
AREA: Directorate of Place

EXECUTIVE SUMMARY:

This report is requesting the Committees approval to commission a tourism marketing campaign to support and promote the Arun visitor economy.

RECOMMENDATIONS:

It is recommended that:

The Committee approve the proposal to commission a tourism marketing 'Destination Awareness Campaign' to encourage the development of the district as a key tourist destination.

1. BACKGROUND

1.1. In July 2021 this committee supported the four strategic recommendations contained within the Arun Strategic Review of Tourism (October 2020). See background documents for more detail.

1.2. One of the recommendations was to:

'Commission marketing support – invest in the Experience West Sussex project to deliver regional campaigns that attract new visitors and work hard to get our fair share of that business. And invest in the information and marketing services in each of Arundel, Littlehampton and Bognor Regis.

1.3. Since then, several actions have been taken to complete this recommendation and flexibility applied to adapt to current delivery arrangements.

1.4. First, the former Sussex by the Sea website ceased and was replaced by a web 'portal' which uses the same domain name – Sussex By The Sea - but now provides a simplified and easy to navigate platform through which our primary tourism destinations of Arundel, Bognor Regis and Littlehampton are promoted. Follow link to new portal Sussex By The Sea. This portal requires minimal maintenance and support from ADC staff. The three destination sites are showcased on the portal and visitors are also directed to the Southdowns National Park and Experience West Sussex sites which provide further local tourism choices to the visitor.

1.5. Second, we also have set-up service level agreements with each of our local destination sites to ensure they meet our required site content and quality standards.

1.6. At the time of preparing the review it was expected that the local authority Experience West Sussex (EWS) project partners would all be required to provide some financial support to keep the project and site going. This was highlighted in the review. Since then, an alternative funding package has been secured by EWS from the WSCC Strategic Investment Fund (Pooled Business Rates) which means they are now funded until March 2024. Therefore, the funding we had expected to use on this can be reallocated to deliver an Arun tourism marketing campaign that will attract visitors and hopefully increase our market share.

1.7. It is proposed that a digital marketing campaign is commissioned which will promote Arun as a tourism destination both regionally and nationally.

1.8. It would be primarily a digital campaign as this is an effective way to reach a targeted audience and the ability to measure reach and impact as it is easy to collect data regarding marketing activity and engagement. It will provide data and measurements to show the impact of the campaign.

1.9. The commission would be described as a 'Destination Awareness Campaign' and would run for 1 year. Proposed budget is £30,000.

1.10. Facebook & Instagram advertising is likely to be the primary route. Facebook allows promoters to target different adverts to different audience groups. These would be run across the current Sussex by the Sea social media accounts.

1.11. The project would include (but not be limited to):

- Full digital awareness strategy
- Campaign visuals
- Campaign Roll out
- Monthly/end of year results

1.12. An external digital marketing company with expertise and experience in the field would be commissioned, via a competitive process, to deliver the campaign.

1.13. The campaign would start as soon as possible to promote the 2022 summer season onwards.

2. PROPOSAL(S):

The proposal is requesting approval to commission a tourism marketing 'Destination Awareness Campaign'. It would be primarily a digital campaign to targeted audiences. The reach and impact will be measured for marketing activity and engagement. It will encourage the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend and positively support economic growth. Proposed budget is £30,000.

3. OPTIONS:		
1. Do not support the proposal. The council will have no planned or organised specialist tourism marketing activity for 22/23. 2. Delay the decision. The council will miss the opportunity to deliver a tourism marketing campaign that will promote the summer 2022 season. 3. Support the proposal. The council will have a professionally delivered and targeted digital marketing campaign which will promote the tourism offer in Arun in 22/23 and provide impact measurement data.		
4. CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		No
Relevant District Ward Councillors		No
Other groups/persons (please specify) The Leader of the Council and the Chair of the Economy Committee	Yes	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: **(Explain in more detail at 6 below)**	**YES**	**NO**
Financial	Yes	
Legal		No
Human Rights/Equality Impact Assessment		No
Community Safety including Section 17 of Crime & Disorder Act		No
Sustainability		No
Asset Management/Property/Land		No
Technology		No
Other (please explain)		
6. IMPLICATIONS:		
1. Financial – The campaign is estimated to cost £30k. There is £15k available in the Tourism service budget for 2022/23 and therefore a virement of £15k will be required from the Economic Regeneration budget to fully fund the campaign.		

7. REASON FOR THE DECISION:

The proposal will promote and raise awareness of Arun's tourism offer. It will encourage the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend and positively support economic growth.

8. BACKGROUND PAPERS: REPORT TO AND DECISION OF THE ECONOMY COMMITTTTEE ON 26 JULY 2021 SUBJECT: STRATEGIC REVIEW OF ARUN DISTRICT COUNCILS TOURISM SERVICE AGENDA ITEM NO (arun.gov.uk)

AGENDA ITEM NO.

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF THE ECONOMIC COMMITTEE ON 29th MARCH 2022

PART A : REPORT

SUBJECT: Pier Road Littlehampton Proposals

REPORT AUTHOR: Miriam Nicholls, Business Development Manager
DATE: February 2022
EXTN: 01903 737845
PORTFOLIO AREA: Economy Group

EXECUTIVE SUMMARY:

Pier Road has been closed to traffic under Covid 19 measures during summer 2020 and summer 2021. This report asks the Committee to consider undertaking consultation regarding future closures and, if agreed, whether these should be partial, full, permanent or seasonal.

RECOMMENDATIONS:

It is recommended that:

i. Drawings for the 3 options at 2.2 in this report be commissioned.

ii. Public consultation on these options as well as the option to 'do nothing' be consulted upon during summer 2022.

iii. That a report containing the details and outcome of the consultation be brought to this Committee later in the year for further decisions to be made.

1. BACKGROUND:

1.1. Pier Road in Littlehampton is a north / south two-way street leading from the town centre to the seafront. The River Arun runs parallel to Pier Road. The northern end of Pier Road is a mix of residential and commercial premises whilst the southern end is populated with some residential properties and a range of restaurants, takeaways and tourist outlets. At the southernmost end yellow lines are present on both sides of the carriageway and these are in force between 1st April and 30th September. The pavement on the eastern side outside the business premises is approximately 2 metres wide. The much wider, raised river walkway runs along the western side with a 2 metre pavement at road level.

1.2. Pier Road is a popular area, particularly during good weather. During the Covid19 pandemic the decision was made to close the road to traffic for the summer season to allow for social distancing and for customers to be able to queue and visitors to be able to walk without being in danger from passing traffic, in what can become a congested area.

1.3. Tables and chairs were provided and whilst, due to the temporary nature of the closure and the need to retain emergency access, facilities were basic, the closure was generally popular with the public. The businesses in Pier Road, except for one or two, were not in favour of the closure and consider it damages their trade.

1.4. Members have asked that consideration be given to whether the road should be closed permanently, seasonally, partially, or fully or should remain open to traffic.

2. FUTURE CLOSURES

2.1. A Temporary Traffic Regulation Order (TTRO) to close Pier Road for summer 2022 would be problematic. Issues that would need to be addressed and overcome include:

- the lack of a reason for closing the road - Covid restrictions are no longer in place as they were for the previous 2 closures.

- timing – a TTRO outside those that were available for Covid restrictions takes at least 10 weeks to be agreed.

- funding – no budget is identified for items that would be required to close the road – such as barriers, tables etc.

- resourcing – the Council does not have sufficient staff resource to carry out this project within the required timescale.

In addition, comment has been made about the basic nature of facilities provided for both closures and it is difficult to see how, in such a short time, this issue could be overcome.

2.2. It is suggested that during summer 2022 a wide-ranging consultation exercise should be undertaken regarding future closure of Pier Road. This consultation should look at several options.

- Full permanent closure – Pier Road from the junction of Clifton Road (north of Mussel Row, No. 47) to the junction with South Terrace be closed permanently.

- Full closure on a seasonal basis - Pier Road from the junction of Clifton Road (north of Mussel Row, No. 47) to the junction with South Terrace be closed from July – the end of September each year.

- Partial permanent closure – Pier Road from the junction of Clifton Road (north of Mussel Row, No. 47) to the junction with South Terrace be made one way (either North or South) with pavement widened on the eastern side.

- The use of Experimental Traffic Regulation Orders to support any of the above options.

- Do nothing - that no closure be considered, and the road remains as currently.

2.3. An experimental order is like a permanent traffic regulation order in that it is a legal document which imposes traffic and parking restrictions such as road closures, controlled parking and other parking regulations indicated by double or single yellow lines etc. The Experimental Traffic Order can also be used to change the way existing restrictions function.

2.4. An Experimental Traffic Order is made under Sections 9 and 10 of the Road Traffic Regulation Act 1984

2.5. An experimental order can only stay in force for a maximum of 18 months while the effects are monitored and assessed. Changes can be made during the first six months of the experimental period to any of the restrictions (except charges) if necessary, before the Council decides whether or not to continue with the changes brought in by the experimental order on a permanent basis.

2.6. Each of these options will need drawings to be commissioned showing the closure area and traffic diversions which will be an important part of the overall picture. It is expected that this work would cost around £5,000.

3. OPTIONS:

3.1 To undertake consultation during summer 2022

3.2 Not to undertake consultation during summer 2022 and make decisions based on information that is already available.

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council (for previous decisions)	**X**	
Relevant District Ward Councillors (for previous decisions)	**X**	
Other groups/persons (please specify)		

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	**X**	
Legal		
Human Rights/Equality Impact Assessment		**x**
Community Safety including Section 17 of Crime & Disorder Act		**x**
Sustainability		**x**
Asset Management/Property/Land		**x**
Technology		**x**

Other (please explain) Officer resources	**x**	

6. IMPLICATIONS: The cost of commissioning drawings for a road closure scheme are around £5,000. Officer resources for this part of the project can be managed inhouse.

7. REASON FOR THE DECISION: To allow opinions regarding the future closure of Pier Road to be documented and a decision about further actions, if any, to be made at a later stage.

8. BACKGROUND PAPERS:

None

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ECONOMIC COMMITTEE ON 29 March 2022

PART A : REPORT

SUBJECT: CLOSURE OF TRISANTO DEVELOPMENT CORPORATION LIMITED

REPORT AUTHOR:	Karl Roberts, Director of Place
DATE:	23 December 2021
EXTN:	37760
PORTFOLIO AREA:	Economy

EXECUTIVE SUMMARY:

This report follows on from a consideration of this matter on the 8 June 2021 when it was resolved that the business case and risk register should be updated to confirm whether the Council wished to invest in the growth of the Company or whether the Company should be formally closed. This report recommends that the Company be formally closed as the business case that has been commissioned indicates that whilst there is one option that could be pursued further, there are significant risks which should be taken into account having regard to the fact that the Council has yet to develop or secure significant commercial expertise in the residential property sector.

RECOMMENDATIONS:

The Committee formally approves the closure of the Trisanto Development and appropriate actions taken to give effect to this decision.

1. BACKGROUND:

1.1 Further to the resolutions of the Economic Committee on the 8 June 2021 that

1. that the business case for Trisanto be updated and brought back to this committee, and;
2. that the risk register be updated and brought back to this committee

The Council commissioned Savills to undertake an outline business case. Their report is appended as Appendix A. The business case focused on the following.

- *Understanding what the Council wants to achieve from Trisanto*
- *What service offering should Trisanto provide*
- *The resources required to progress the continuation of Trisanto*
- *Any alternatives to the original business case for the delivery of homes through Trisanto*

- *What circumstances have changed since Trisanto's inception that may affect its future*
- *Is there potential for future financial viability?*

1.2 Three different options for using the company where considered. These are.

1. Development Company

This is where Trisanto remains incorporated and focuses purely on developing and selling market sale properties and delivering 30% affordable homes as required under planning obligations – with, in this case, these properties being acquired by the Council into its Housing Revenue Account (HRA). Due to a lack of council-owned developable land, Trisanto would need to be enabled to acquire land in competition from and with developers in the open market.

2. Development Company & Subsidiary Local Housing Company

This is where Trisanto would remain a development company and acquire land to develop. 30% of homes would be acquired within the HRA for the affordable element, whereas the remaining properties would be split or solely sold to a newly formed subsidiary housing company to be rented at either market or intermediate rent levels. Any remaining balance of homes would be sold on the open market.

3. Subsidiary Local Housing Company

In place of acquiring land and developing directly, Trisanto would acquire properties from a range of sources to hold and let at either market or intermediate levels.

1.3 The business case effectively rules out options 1 and 2 and whilst it indicates that option 3 could be pursued further there are risks and further work should be undertaken if option 3 was to be pursued further.

1.4 Whilst the Council clearly has an ambition to be more commercially focused to support the delivery of services to the community of Arun, it does not currently have the necessary commercial expertise internally to support what would be a significant and extensive period of investment over a long time and therefore the risks are increased. The closure of the Company is therefore considered to be the most logical step to take.

1.5 The alternative to closing the company would be for it to remain dormant. However, a dormant company still requires at least one Director. The current Director has indicated for some time a wish to no longer continue in that role if the company is to simply remain dormant. Furthermore, to date no replacement has been forthcoming either amongst senior officers or relevant senior councillors. This adds weight to the recommendation to formally close the company.

2. PROPOSAL(S):

2.1 Since the recommendation agreed by the Corporate Management Team is to not to activate the company and make it operational, and in the absence of another person wishing to come forward to be named as the Director of what will remain a dormant company it is proposed to formally close the company. The Risk Register has not been updated since the recommendation is to close the Company.

3. OPTIONS:		
A) Undertake the further work indicated as being prudent in respect of option 3 and refer the matter back to the Committee		
B) Continue with company in a dormant state including naming at least one new Director		
C) Close the company		
4. CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council		x
Relevant District Ward Councillors		x
Other groups/persons (please specify)		x
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	x	
Legal		x
Human Rights/Equality Impact Assessment		x
Community Safety including Section 17 of Crime & Disorder Act		x
Sustainability		x
Asset Management/Property/Land	x	
Technology		x
Other (please explain)		x

6. IMPLICATIONS:

6.1 As a registered company there are a number of steps that must be taken to give formal effect to any decision to formally close the company.

6.2 Part 31 of the Companies Act 2006 applies. A company can apply to the registrar of Companies House to be struck off the register and dissolved where it is no longer needed.

7. REASON FOR THE DECISION:

7.1 The Council has concluded that there is no longer a requirement to have a separate local housing (property) company.

8. BACKGROUND PAPERS: OSC – 25 July 2017 https://democracy.arun.gov.uk/Data/Overview%20Select%20Committee/20170725/Agenda/Agenda.pdf Special Audit & Governance – 7 August 2017 https://democracy.arun.gov.uk/Data/Audit%20&%20Governance/20170807/Agenda/Agenda.pdf Cabinet – 31 July 2017 https://democracy.arun.gov.uk/Data/Cabinet/20170731/Agenda/Agenda.pdf Full Council – 13 September 2017 https://democracy.arun.gov.uk/Data/Full%20Council/20170913/Agenda/Agenda.pdf Cabinet Report – 29 July 2019 https://democracy.arun.gov.uk/documents/s1907/Local%20Housing%20Company%20-%20Trisanto%20-%20Cabinet%20Report%2029.7.19%20FINAL.pdf Full Council minutes – 18 September 2019 https://democracy.arun.gov.uk/documents/g769/Public%20minutes%2018th-Sep-2019%2018.00%20Full%20Council.pdf?T=11 Economy Committee Minutes – 8 June 2021 Printed minutes 08th-Jun-2021 18.00 Economy Committee.pdf (arun.gov.uk) Report by Savills – Appendix A

Trisanto Limited – Outline Business Case

On behalf of Arun District Council

Draft Report v1
December 2021

Arun District Council December 2021

Contents

1. Executive Summary

1.1. Introduction

Savills have been appointed to produce an outline business plan for its wholly owned housing company, Trisanto Limited (TL) in order to establish the options available to Arun District Council (ADC, the Council) in deciding its future.

Since its incorporation Trisanto Limited has not commenced trading and therefore has been dormant, which is the driver for this business case to establish if the Council should dissolve the company or invest in its growth.

This business case focuses on:

- Understanding what the Council wants to achieve from Trisanto
- What service offering should Trisanto provide
- The resources required to progress the continuation of Trisanto
- Any alternatives to the original business case for the delivery of homes through Trisanto
- What circumstances have changed since Trisanto's inception that may affect its future
- Is there potential for future financial viability?

1.2. Our Approach

We have covered three key areas of enquiry as part of this review:

- Strategy – in understanding what the Council wishes to deliver and achieve through operating Trisanto. This was established through a series of discussion sessions with key stakeholders within the Council.
- Options – from the discussions and our experience elsewhere to identify the potential options available for Trisanto and to assess the advantages and disadvantages of these with a risk assessment, and drawing on viability analyses, our recommended way forward for the Council and the company. This is reinforced throughout our report with examples of other local authority approaches.
- Financial – to understand the potential viability of Trisanto, considering land opportunities, financing available, state aid (subsidy control) and resourcing.

After considering feedback from the discussion sessions, and our experiences elsewhere in carrying out similar reviews, we have established that in order to deliver more homes and higher levels of home ownership, there are three options able to be considered:

1. Development Company

This is where Trisanto remains incorporated and focuses purely on developing and selling market sale properties and delivering 30% affordable homes as required under planning obligations – with, in this case, these properties being acquired by the Council into its Housing Revenue Account (HRA). Due to a lack of council-owned developable land, Trisanto would need to be enabled to acquire land in competition from and with developers in the open market.

2. Development Company & Subsidiary Local Housing Company

This is where Trisanto would remain a development company and acquire land to develop. 30% of homes would be acquired within the HRA for the affordable element, whereas the remaining properties would be split or solely sold to a newly formed subsidiary housing company to be rented at either market or intermediate rent levels. Any remaining balance of homes would be sold on the open market.

3. Subsidiary Local Housing Company

In place of acquiring land and developing directly, Trisanto would acquire properties from a range of sources to hold and let at either market or intermediate levels.

1.3. Viability

We have modelled a range of scenarios with the overall conclusion as follows:

1. Development Company

Given the lack of developable land ownership within the Council, we modelled an exemplar site that has since been sold that could have delivered 80 properties. Whilst the site appraisal demonstrated that the scheme was viable, the resulting land value that could be afforded by Trisanto Limited would face extreme competition from other medium to large size developers, which benefit from economies of scale in their operations and existing supply chains. Furthermore, Trisanto would have to resource, via financing from the Council, any pre-planning work prior to bidding for land, and this investment would be at risk if an acquisition did not take place.

2. Development Company & Subsidiary Local Housing Company

We modelled a group structure where the exemplar site would be developed within one company (either Trisanto or a new subsidiary), making a return to the Council and then a new company acquiring the properties for letting at market rent levels. Due to the small stockholding of rented units, the property holding company was not felt to be financially viable.

3. Subsidiary Local Housing Company

We produced a plan that showed how acquiring 454 units through the open market and directly from developers from forthcoming sites could be potentially viable. These properties could be let at either market or intermediate levels. Based on our modelling it showed a viable long-term position, providing annual returns to the Council of c£1.3million driven primarily by a lending premium on interest rates. However, the viability of the plan is very sensitive to adverse market conditions.

1.4. The Way Forward

As a result of the stakeholder sessions and the viability testing option 3 is felt to be the only direction that the Council could consider Trisanto taking into a further a fuller Business Case stage.

Our modelling highlights that for option 3, whilst sustainable in the asset values grow as debt is repaid, debt repayment would take longer than 50 years on a revolving credit basis. There are a number of factors that need, therefore, to be considered in this context:

- In the short to medium term, the financial projections show that no allocation for debt repayment could be made; in fact there may be a requirement for additional borrowing post acquisition. Therefore a loan repayment strategy would be required and agreed between the Council and Trisanto that would not financially adversely impact the Council
- We have made prudent assumptions as to taxation exposure – the Council would need to take specific tax advice to assess whether viability can be improved as a result of taxation liabilities, particularly in respect of group borrowing
- A minimum number of units would have to be acquired to ensure coverage of overhead costs
- Research should be commissioned to understand the demand for market and intermediate rental properties in the district and the key geographical areas, tenure and property sizes on which to focus.

Whilst the above factors require external support, the Council could carry out its own initial market testing by opening up discussions with both active developers and estate agents in the area to understand if there would be interest in selling to Trisanto.

After the above are satisfied, Trisanto could seek to start trading and commission support for its acquisition programme both externally and in the light of capitalisation by the Council.

Alternatively, the Council could decide to dissolve the company as the development options carry much risk in respect of viability and long-term returns.

2. Introduction and the Brief

2.1. Introduction

Savills have been appointed to produce an outline business plan for Trisanto Limited (TL) in order to establish the options available to Arun District Council in deciding its future.

TL was established in 2016 following an initial business case to generate income from market sale properties but also with a view to provide market rental homes and assist ADC in the delivery of 30% affordable homes on the sites developed.

The initial business case focused on three sites, two of which were not in the ownership of ADC, with the one site that was owned delivering an initial 8 homes.

Following agreement of the business case, the company was incorporated with ADC being the sole shareholder. Financial resources were identified for both working capital and set up costs but never transferred to Trisanto.

Due to a lack of staffing resource there has never been any activity in respect of trawling the market for land opportunities and this was backed up by no ‘in-house’ development appraisal expertise, nor any specific form of gateway decision making for progressing TL. This was exacerbated by a lack of ADC owned land that could be developed at scale. Apart from the initial company formation documentation, there has been no further development of key documents such as service level agreements and formal loan arrangements with ADC.

Therefore TL has remained a dormant company will nil financial returns filed and there is currently one director recorded, an officer of ADC.

Since 2018, ADC’s Housing Revenue Account (HRA) has benefited from increased financial flexibilities with the abolition of the debt cap; this allows for additional borrowing to facilitate the development of affordable homes. The Council is focusing the HRA on developing on its own land, which is primarily limited to small scale garage sites.

2.2. The Brief

A summary of the brief is set out below. The business case is focused on:

- Understanding what ADC wants to achieve from TL
- What service offering should TL provide
- The resources required to progress and the continuation of TL
- Any alternatives to the original business case for the delivery of homes through TL
- What circumstances have changed since TL’s inception that may affect its future
- Is there potential for financial viability?

2.3. Our Approach

We have covered three key areas of enquiry as part of this review:

- Strategy – in understanding what the Council wishes to deliver and achieve through operating Trisanto. This was established through a series of discussion sessions with key stakeholders within the Council.
- Options – from the discussions and our experience elsewhere to identify the potential options available for Trisanto and to assess the advantages and disadvantages of these with a risk assessment, and drawing on viability analyses, our recommended way forward for the Council and the company. This is reinforced throughout our report with examples of other local authority approaches.
- Financial – to understand the potential viability of Trisanto, considering land opportunities, financing available, state aid (subsidy control) and resourcing.

<u>Strategy</u>
We undertook individual stakeholder discussion sessions during October with the following:

- Leader of the Council
- Leader of the Opposition
- Director of Place
- Director of Services
- Interim Group Head for Corporate Support & Representation from Internal Audit

We thank those who kindly provided their time. Rather than detailing individual feedback from our range of questions we have summarised the key messages and thoughts from the sessions as below.

Lack of Land Availability:
Currently ADC owns only two General Fund sites that offer any degree of development potential. One is a small piece of land used for leisure purposes and the other in the form of a row of commercial properties with flats above, which would likely require redevelopment. The HRA does have a small land holding through redevelopment of garage sites but this will be utilised for development of 100% affordable housing. There will be a review of sheltered housing sites that could offer potential for redevelopment, but likely that this would also be delivered through the HRA. Therefore from both members and officers perspectives, it is clear that there is no real land availability in the ownership of ADC that could be utilised for development and therefore the only course of action for TL would be to purchase from the open market in competition with developers. There has been one instance where a bid was considered for land owned by West Sussex County Council but the land was sold to BoKlok who manufacture homes off-site to a standard specification.

Lack of Internal Resources & Capacity:
As already identified, TL has not progressed due to a lack of resource and expertise within ADC and an unwillingness to procure external support given future uncertainty. There are concerns that the medium-term position for the ADC General Fund is facing shortfalls and that any expenditure or finance provide to TL without certain return would be difficult to justify. Currently there is no development expertise and some stakeholders were aware of the difficulty of recruiting resources due to competition and capacity within the current market. If any options were considered that required specialist private landlord services, this would be difficult to resource within the HRA staffing compliment.

Market Intervention:
One of the reasons that local authorities venture into development and housing companies is to intervene within the market. This may be to increase the current standards within the private rented sector through competition. Other intervention measures are in respect of regeneration or developing land that has been rejected by private developers on the grounds of viability. These were not considered real issues for ADC although could be considered in respect of regeneration activities within Bognor Regis. It was thought that there was a shortage of private rented sector properties available. It was felt by some that the focus by developers seemed to be more for the 'executive' style homes rather than focusing on smaller, more affordable homes for first time buyers.

Interest in Intermediate Rented products:
The HRA currently focuses on delivering affordable rented homes with the option to provide shared ownership properties. This provides homes for those at the top of ADC's housing waiting list. This means that those lower down the list but unable to afford private market rented or sale properties are not provided for. There was an interest in assessing the option for delivering this type of tenure, as other local authorities have decided to do, due to the difficulties faced by first time buyers within the district. The district is also seen as area with an increasing older population and any changes would assist in balancing the demographics.

Financial Benefits:
Other than market intervention the core reason for instigating a development or housing company is for the financial rewards it offers. Dependent on the option, the financial returns are either short-term through capital receipts and one-off dividends or an annual return through premiums on interest and potential dividends from property cashflow surpluses. The focus for ADC would be the latter where annual support is provided to the General Fund to assist with offsetting future deficits. However, whatever option is selected for TL, it should only be on a sound financial and profitable basis.

<u>Options</u>
After considering the feedback from the discussion sessions and our experiences elsewhere in carrying out option appraisals and outline business cases to deliver more homes and ownership we have arrived at three options that can be considered:

1. Development Company
This is where TL remains incorporated and focuses purely on developing and selling market sale properties and delivering the 30% affordable homes planning obligation with, in this case, the affordable homes acquired by the Council into its HRA. Land would have to be acquired in competition from and with developers from the open market.

2. Development Company & Subsidiary Local Housing Company
This is where TL would remain a development company and acquire land to develop. 30% of homes would be acquired by the HRA for the affordable element whereas the remaining properties are split or solely sold to a newly formed subsidiary housing company to be rented at either market or intermediate levels. Any remaining balance of homes would be sold on the open market.

3. Subsidiary Local Housing Company
In place of acquiring land and developing TL would acquire properties from a range of sources to let at either market or intermediate levels.

These three options are considered in greater detail below.

<u>Financial</u>

For each of the options we have researched the market to identify potential land and/or acquisition opportunities in order to provide a baseline for an outline financial business case and to test viability. We have assessed both sale and rental markets for the specific areas within the district in order to test viability, but also to compare the potential returns for ADC. As above, the financial modelling has been carried out for each option and results presented within the individual sections below, with sensitivity analysis and stress testing carried out where applicable.

3. Option 1: Development Company

3.1. Introduction

This option is where TL carries out the development of Council-owned or acquired sites for selling homes on to the private market and the affordable units to the HRA or a Registered Provider. Such a company is also known, described or defined as a Devco.

The establishment of local authority trading and housing delivery companies is a very well-trodden path, originally conceived by stock owning authorities due to the restrictions on the Housing Revenue Account with the primary focus on delivering affordable schemes. Research undertaken by UCL into local authority direct delivery was updated in April 2021 (from the previous iteration in July 2019). It provides an excellent evidence base for the emerging companies sub-sector with the following key headlines:

- 83% (an increase of 5%) of English local authorities have some form of housing company, be it a
  - Development Company
  - Property Company
  - Local Housing Company
  - Special Purpose Vehicle for Joint Ventures

- The previous report stated:
  - 23% of the 22% without a company are actively exploring the options
  - 119 new companies have been established since January 2018
  - Variety of tenure diversification:
    - 43% Affordable Rent
    - 23% Social Rent
    - 10% Intermediate (sub-market)
    - 16% Market Sale
    - 8% Market Rent.

From our experience the drivers for setting up companies have primarily been as follows:

- Increase housing supply – across all tenures
- Diversify housing offer – making interventions in the market to stimulate or provide housing
- Quality and design standards
- Control and influence around what is delivered
- Bring forward sites that would not otherwise be brought forward
- Act as an exemplar landlord for market rent housing
- Deliver financial returns to the Council.

These are not dissimilar from some of those points identified from our sessions with stakeholders at ADC, and this should offer reassurance from the approach other local authorities are taking.

From our research and knowledge of development companies there are success stories, those that have struggled, or continue to struggle to gain traction, and those that are dormant or being closed down. It is difficult to determine exactly what is happening with the majority of Devco's given that they operate in a commercial environment and therefore official plans are not always published.

An exemplar for a development company would be Wokingham Council's Loddon Homes who were an early development company which has gradually built its pipeline in an area of high value. It is part of a wider group that delivers affordable and social care homes for the Council.

However, in terms of companies that have not been able to deliver their original objectives Croydon Council's development company Brick by Brick is facing closure once its 23 sites have been delivered following an external audit report on poor financial performance and controls having a negative impact upon the Council's own finances. Following the publicity of this case Council's such as Merton have reconsidered moving forward with developing through Merantun and closed the company. It is likely that others may follow or reconsider their options, such as joint ventures. It should be noted that there are more examples of authorities actually delivering new homes than not, as identified within the UCL report.

By creating a Devco, ADC could receive an upfront receipt for land (in its ownership) put forward for the scheme or in exchange for equity within the company. Alternatively, as there is little land owned by ADC, this would have to be procured from the open market in competition with other developers. The Devco would contract a developer/contractor to build out the site but would be responsible for the sale of the units for both the open market sale units but also the affordable units to the HRA (or Registered Provider) or (per option 2 below) a Local Housing Company.

At no point would the Devco hold properties for rent and therefore the financial benefits for ADC will be in the development profit for the sites. As ADC will be in indirect control of the schemes, there is control over the tenure mix between market sale and affordable units balanced with the generation of development profit. However, this will in part be dependent on the level of sale receipts for the affordable units, which in some options will be beyond the control of ADC if an external RP were to purchase via a competitive process. However, for ADC, the HRA is likely to acquire the affordable units.

ADC would make a premium on the development finance on-lent to the Devco, although this would only be through the duration of the development of the sites. This arises from the low cost of borrowing but lending into the Devco at a commercial rate, a requirement of state aid/subsidy rules.

3.2. Legal & Financial Structures

As TL has already been officially formed there are no further considerations required other than the governance arrangements which depend on a variety of issues and in the vast majority of cases the Devco board will be composed of officers and (if thought necessary) independent non-executive directors.

The board then reports to a supervisory shareholding group consisting of members in order to provide a greater strategic control and direction rather than the more day to day responsibilities of the board.

We have also found that a Gateway Board (or equivalent) is established by an authority in order to decide how the land assets are addressed and who develops the sites i.e. for sale, development through the HRA or its Devco. This may also be used for land acquisitions.

The financing would be provided by ADC through its General Fund (via its Capital Financing Requirement or CFR), but charged at commercial levels. There has been much publicity in respect of some local authorities using the benefiting from the lower than commercial borrowing rates through the Public Work Loans Board (PWLB) for the purposes of income generation. It has been the past practice for commercial assets to be acquired outside of a local authority area utilising funding at low interest rates. Recent guidance from CIPFA and Treasury has now reduced this practice and such borrowing facilities are no longer available for the purchase of yield.

However, the guidance allows borrowing for the purposes of providing housing within the local authority area.

All companies still need to be EU State Aid or Subsidy Control, its replacement post Brexit, compliant. If properties being built are for market sale then the Devco would need to be established on a fully commercial basis (ensuring funding terms are the equivalent of what a private developer might be able to obtain in the marketplace – for example, interest rates are at market levels, maximum loan to value with the associated potential for equity funding). The actual rules in respect of Subsidy Control are currently being formulated, though we anticipate little change from the State Aid regime.

3.3. Procurement Options

The Devco will not be subject to the Public Contracts Regulations 2015 if it does not fall within the definition of a "body governed by public law." Bodies governed by public law have all of the following characteristics:

- They are established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
- They have a legal personality; and
- They have any of the following characteristics:
  - they are financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law;
  - they are subject to management supervision by those authorities or bodies; or
  - they have an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.

The key point therefore, is determining whether the Devco is a "body governed by public law" and whether it has "commercial character".

The Devco cannot be said to have a "commercial character" unless it is free to operate as a commercial company would do so and without direct control from the Council (particularly over its operational activities.)

If ADC require direct control, the Devco is likely to be classified as a "body governed by public law" and therefore subject to the procurement requirements.

If the Devco were not subject to the procurement requirements then it can procure services as it sees fit, subject only to any controls ADC wish to impose as shareholder.

The practice of reaffirming commitment to a Devco, the Council would need to procure a robust process of due diligence that concentrates on:

- The strategic business planning of the company.
- The financial management and risk strategy of the newly formed company.
- Governance and commercial arrangements to enable the Devco to operate in a commercial environment to deliver value for money.

With the Devco established, this would be followed by the procurement and forming of contractual arrangements under the following types of procurement routes for the construction of new build:

- Design and Build contract – appointment of a house building contractor to deliver the pre-construction and delivery of new build.
- Set up of a framework agreement to supply housing.
- A development agreement incorporating a design and build contract arrangements.
- A strategic partnership with an institutionally funded private sector investor/developer of housing, under a partnership/development agreement.

In other procurement routes contained within the Devco, such as development agreements, the design and construction costs can be managed legally through a design and build contract, or lump sum contract arrangements. These forms of agreement set out the roles and obligations of each party including obligations around design responsibility and cost management. This includes trigger agreements around performance and financial management of the new build process. Such triggers could place the Council under obligations and risk if not managed and robustly tested.

Importantly, development agreements enable the Devco to immediately acquire the required skills and expertise to deliver its house building ambitions, while also imposing risks and restricted controls on design standards etc.

3.4. Staffing Resource

For the purposes of the following appraisal we have assumed that there will be no 'in-house' support within ADC to proceed with any development appraisals, land acquisitions and subsequent overall development management.

For the purposes of the following appraisal we have assumed the following would be recruited by TL (Devco):

- Client Role (Part-Time) for overall management throughout the duration
- Provision for scheme viability appraisal (outline assumptions) to arrive at land price
- Legal advice in respect prospective land purchase

All of these costs, provisionally c£100,000, would be unrecoverable if a bid for land was unsuccessful and that ADC may ultimately bear the risk as it would provide the upfront working capital finance for these costs.

In addition to the above we have assumed that the following would also be outsourced with appropriate cost provision for:

- Planning Support and application
- Architects (pre and post planning)
- Engineering and Landscape reporting
- Market research
- Employers Agent
- Fees of 8% for Development Management (monitored on behalf of TL by the above role)
- Marketing & Selling Agency
- Conveyancing.

There will also be operational costs to run TL (Devco) that will be also outsourced which includes:

- Accountancy Support
- IT support
- External Audit
- Ongoing consultancy and legal support

ADC does have the opportunity to provide some of the above support services 'in-house' and charge to TL (Devco) rather than outsourcing but is very much dependent on capacity and expertise within the various teams. Any such charge would result in an additional financial benefit to the General Fund of ADC.

3.5. Development Cost Assumptions

As there is no site availability in ownership of ADC, in order to produce an exemplar viability appraisal for this option we have used the land at the South of Littlehampton Academy to model. Whilst this site has now been sold by West Sussex County Council it provides the opportunity to demonstrate the likely land value that TL could potentially have bid for. We did carry out a high-level trawl of sites of those with potential for development but the majority have already been purchased.

In terms of this site it was originally appraised that 80 homes could be potentially built on the land as identified below:

Table 3.1 Exemplar Development Site – Property Make Up

Category	Sq Mtr Size	Total No	Affordable Element
2 Bedroom Terraced House	75	16	8
2 Bedroom Semi-Detached House	79	23	8
3 Bedroom Terraced House	92.5	37	8
3 Bedroom Semi-Detached House	120	4	

The post-Brexit period and the issues arising from Covid, have resulted in fluctuations in costs and delays in materials and in some instances labour supply. This continues with recovery from the Covid pandemic with increasing shortages in both supplies and labour.

Therefore, we have taken a standardised approach to costing the development costs per site as follows:

Table 3.2 Build Cost Assumptions

Category	Rate	Commentary
Direct Build Cost	£1,650 per Sq Mtr (£1,700 flats)	Equates to £143k per property
Architect Fees	2.5% of Development Cost	Outsourced
Planning Costs	£1,000 per Unit	
Engineering Surveys & Fees	1.5% of Development Cost	
Employers Agent	2.0% of Development Cost	To cover external costs including cost consultancy and site management
Remediation Costs	£100,000	High level assumption
Parking & Landscaping	£450,000	
Utilities	£200,000	Electric/Water only
Contingency	5.0% of total Development Cost	To cover for Unknown Factors
CIL/s106 Contributions	Nil	Assumed not applicable
Marketing & Legal Costs	2% of Market Value	Applies to for sale units only
Project Management Fees	8%	Outsourced

Existing medium to larger sized housebuilders will be able to build at lower costs on the basis of existing supply chains, defined house types and built to different standards in respect of style, size and possibly energy efficiency. We have demonstrated the potential impact of this when comparing potential land values.

In order to determine the gross development value for the development we have assumed the following values

Table 3.3 Market Values on Exemplar Site

Category	Market Value
2 Bedroom Flat	£230,000
2 Bedroom House	£275,000
3 Bedroom House	£335,000
4 Bedroom House	£355,000

In assessing the value to which the HRA (or RP) could pay for the affordable properties we have modelled using both social and affordable rents and a standard set of operating costs we have assumed the 70% of open market value would be appropriate. This sits at the mid-point between using the two levels of rent for viability for the HRA.

3.6. Financial Analysis

To finance the development, consideration has to be given as to how this would be facilitated. The options are 100% loan financing or loan and equity investment.

Given that normally a private developer will not be able to access 100% loan finance in order to deliver a scheme, equity investment is usually required. This would also assist the Devco complying with State Aid (or its eventual replacement Subsidy Control).

Equity investment could be provided to TL (Devco) by ADC by either a cash injection, transferred land or a combination of both. Given that that ADC has no land offering for this development any equity investment will need to be in the form of cash.

We have assumed that 30% of total development costs (pre-financing), totalling £3.768million would be provided by ADC directly to TL (Devco). ADC would fund this via the options of either using cash balances, uncommitted capital reserves or short-term borrowing. If borrowing, then ADC would incur interest charges for the amount borrowed but would also need to factor in the impact of making Minimum Revenue Provision (MRP) contributions. Borrowing for the purposes of equity is allowable but only for a maximum period of 20 years, which results in an MRP of 5% pa, although the impact of this is mitigated by the borrowing in this instance being over a relatively short (development) period.

The equity provided to TL (Devco) would be repaid at the conclusion of the development and would obviously be at risk if there was insufficient profit, after tax, to repay this. Any equity returned could be utilised in the repayment of attributable debt by the Council. We have projected that short-term borrowing costs for the equity investment in this exemplar scheme would result in a cost to ADC of c£0.127million.

Development finance would need to be on the basis of commercial rates with regards to compliance with State Aid (or its eventual replacement Subsidy Control). Given that a proportion of the homes are affordable and that 30% equity is proposed a blended rate of 5% is suggested.

It is important to note that the development finance supplied would be considered inter-group borrowing between ADC and TL (Devco) in respect of the calculation of Corporation Tax. The rules that could apply are capped interest deductions on related party loans at 30% of EBITDA (earnings before interest, tax, depreciation and amortisation) or where the level of interest deduction claimed exceeds £2million. If interest charges within one year, on loans which are considered to be from a related party, were (for example) £2.3million, only £2million would be included within the Corporation Tax computation to reduce tax liability, and the balance of £0.3million would not. We are aware of circumstances where specific arrangements have been made with HMRC whereby such loan facilities and subsequent interest charges can be fully accounted but advise that specialist tax advice is sought.

Working capital finance via an additional loan facility will also be required to cover the costs of operational and overhead costs. This is repaid upon completion of the development at a rate of 3.5%.

VAT: Most of the development costs will be recoverable from the VAT payable but in some instances such as white goods provided within the homes, and operational costs bought into the company, this will not be possible.

Corporation Tax: Surpluses will be liable for taxation at the prevailing rate, currently 19% but rising to 25% in 2023 on annual profits greater than £250,000.

The table below shows the results of the development appraisal modelling as set out above. In order to achieve industry standard returns, we have assessed that a bid of **£2.7million** could be made for the land.

Table 3.4 Development Company Option - Financial Appraisal – Exemplar Site

Trisanto Limited (Devco)	TOTAL
Sales Income	**£21,804,000**
Development Costs	**£17,565,248**
Marketing Costs	**£342,000**
Gross Profit	**£3,896,752**
Development Financing Costs	**£339,343**
Gross Profit (After Financing)	**£3,557,409**
Overheads	**£499,425**
Working Capital Interest	£15,987
Net Profit (Pre-Tax)	**£3,057,983**
Corporation Tax	**£760,499**
Net Profit (Post Tax)	**£2,297,484**
Profit on Gross Development Value	**20.3%**
Profit on Cost	**19.5%**
INTERNAL RATE OF RETURN	**23.6%**

** Development costs include relevant taxes (eg SDLT)*

Using this appraisal ADC would benefit from:

- **£2.297million** dividend (at scheme completion)
- **£0.237million** premium on the on-lending (assuming cost of borrowing at 1.5%)

This would be set against potential financing costs for the equity investment of **£0.127million**.

Note that if build costs increased by 20%, the potential dividend would reduce to **£0.167million**, but with an increased interest premium of **£0.297million**.

Any further changes in assumptions such as reductions in house prices or higher build costs (above the 20%) against those modelled above would result in no profit being achieved and equity investment therefore being at risk.

Private Developer Approach

As detailed earlier, given that TL (Devco) would be in competition with private medium to large sized developers which may benefit from economies of scale. Therefore we have modelled, by way of demonstration, the viability modelling for the same site but with different build cost assumption and operating costs.

Table 3.5 Private Developer - Financial Appraisal – Exemplar Site

	TOTAL
Sales Income	**£21,132,000**
Development Costs	**£16,981,242**
Marketing Costs	**£342,000**
Gross Profit	**£3,808,758**
Development Financing Costs	**£432,490**
Gross Profit (After Financing)	**£3,376,267**
Overheads	**£263,664**
Working Capital Interest	£3,533
Net Profit (Pre-Tax)	**£3,112,603**
Corporation Tax	**£777,268**
Net Profit (Post Tax)	**£2,335,336**
Profit on Gross Development Value	**19.9%**
Profit on Cost	**19.0%**
INTERNAL RATE OF RETURN	**21.3%**

In order to meet industry standard returns we estimate that the potential land value could be **£3.9million**, some £1.2million greater than TL (Devco) could potentially offer.

For comparison, if TL (Devco) was to bid £3.9million for the land, in order to be competitive, the resulting dividend payable to ADC would be **£1.259million** and interest premium of **£0.312million**, an overall reduction in return of **£0.963million**. Increased costs place additional risks in terms of profitability and return of equity if build costs were to increase or market values decrease.

3.7. Meeting Objectives Assessment

The matrix below shows an assessment of how TL (Devco) could meet our assessment of ADC's objectives.

Table 3.6 TL (Devco) Option - Objective Matrix

Objective	Option Meets objective	Commentary
Provide a Long-Term Income Stream	No	One-off dividend per development site and interest premium
Ability to deliver the type of houses needed	Partly	Based only on viability
Potential to provide Intermediate rented properties	No	Only market sale and affordable homes – intermediate rented properties may be able to form part of the affordable homes obligation
Provide a sound profitable basis	No	Considered high risk as land purchases in competition with developers with higher buying power. This option involves less risk if ADC utilised its own land

3.8. Advantages & Disadvantages

This section of the report identifies the advantages and disadvantages (or strengths and weaknesses) of developing within TL (Devco).

Table 3.7: TL (Devco) Option - Advantages and Disadvantages

Advantages	Disadvantages
The Council will make a return (premium) on the loans it makes to the Devco and potential dividends it receives from each development site profit	No long-term financial benefits to the Council
The ability for the Council to be actively involved in land purchase and regeneration by acting as lead developer.	Potential implications for corporation tax, VAT, stamp duty land tax and State Aid (Subsidy Control)
	Upfront investment required in investing in land search, appraisals and legal costs which would be unrecoverable to ADC if land acquisition is unsuccessful.
	The Council is exposed (indirectly through scheme viability) to land acquisition values and build cost risks but also future viability that could require subsidy from the General Fund

3.9. Key Risks and Mitigation

The table below identifies the key risks specifically associated with the focused Devco option. These risks will only emerge once the Devco commences trading and development starts.

Table 3.8: TL (Devco) Option – Risks

Risk	Likelihood	Measures and mitigation
The financial assumptions used to model the outputs prove to be materially different in practice	Medium	The assumptions will be undertaken with external advice and are comparable with other similar products. Variations would be appraised by the TL (Devco) board for it to instigate compensatory changes elsewhere in the plan or to monitor the situation if considered marginal.
Higher than anticipated build costs	High	This would be monitored and has a significant impact to the viability of TL (Devco). Contracts could be let on the basis of risk transfer to the building contractors.
Tax issues have not been clearly identified and modelled	Medium	Scheme appraisals will assume an allowance for payment of non-recoverable VAT. Advice needs to be sought as part of the set-up process to minimise future implications. Corporation Tax will be payable on development profits.
A legal challenge is made with regards to State Aid (Subsidy Control)	Low	Expert opinion should be sought to ensure that the terms and interest rates offered on the loans by the Council are considered reasonable.
Properties prove difficult to sell or prices fall	Medium	It is acknowledged that there is demand for homes for sale within the district. Certain loans would have to be refinanced and properties could be let for a short period as market or affordable rent and then sold.
Ability to recruit staff to deliver the developments	High	TL (Devco) would have to procure services that could not be provided by ADC, which given current demand and capacity within the sector could be difficult.
Perception and reputation	Low	The Council's role as a housebuilder and operator would need to be considered in the context of ensuring correct branding and marketing strategy.
Government intervention	Low	The creation of a Devco is accepted as a way of accelerating delivery.

4. Option 2. Development Company & Local Housing Company Subsidiary (market & intermediate homes)

4.1. Introduction

This option would result in TL forming a subsidy and/or Group Structure. Another type of wholly-owned trading company is a Local Housing Company (LHC) – a description utilised to cover a company which develops and/or acquires and then holds housing for rent in the long-term. This can be at social, affordable, intermediate and/or full market rent levels. The tenure mix can either be in one company as a whole or separate Local Housing Companies defined for each tenure type. Many authorities delivering both affordable and market rented housing elect to do so in two separate companies given the different objectives and commercial implications associated with each.

Therefore this option proposes that TL (Devco) is developed and a new TL (LHC) is established, with the existing TL organisation being renamed or branded. TL (Devco) would acquire land and develop properties for market sale and or market rent with the balance being the affordable element for the HRA (or RP) to acquire.

This option de-risks selling properties on the open market, given that TL (LHC) could acquire a chosen proportion of them.

There is the option for ADC to consider:

- Considering an alternative intermediate offer where the affordable properties are let at, for example, LHA levels
- Properties are let at Market Rent levels.

There is, theoretically, more flexibility around the setting of rents in a LHC (compared to the HRA). The Rent Standard which controls rents within the HRA/Registered Provider sector does not apply, but when looking to rents at affordable levels the Local Housing Allowance (LHA) provides the best benchmark - plus it ensures the rent would be fully covered by Housing Benefit/Universal Credit.

By having a mix of tenures in terms of rental products, TL (LHC) can determine, from the perspective of financial viability, to maximise the number of properties let at intermediate and market rents. The different levels of rents and the associated impact on financial viability are explored as part of the outline appraisal below.

4.2. Legal & Financial Structures

The set up and structure for TL (LHC) would see little difference to that compared to TL (Devco), although the Board make up may wish to defer from development specialist members in place of housing management.

Financing of the LHC would be by the usual routes:

- Borrowing could be via Public Works Loans board (PWLB) at very low current interest rates undertaken within the Prudential Code framework of the Council, on-lent to the LHC with or without a risk premium; a formal loan agreement would be established.
- The Council's own revenue and capital reserves.

ADC will need to secure independent treasury advice in respect of the financing of these loans, particularly in relation to Minimum Revenue Provision (MRP). However, as a general rule, it is for the Council's s151 officer to determine whether the application of a MRP against borrowing is prudent, and if so at what level and on what basis.

It is not unusual for local authorities to input equity into a LHC. Whilst not a necessity for intermediate housing in terms of compliance with similar organisations, it may be prudent if private rental market letting is going to be a key activity for TL (LHC).

As a wholly owned company any '1-4-1' right to buy receipts arising from the HRA may not be gifted to the LHC for the intermediate rented properties. Homes England grant could only be achieved if TL (LHC) were to be registered as a Registered Provider with the Regulator of Social Housing, which is generally held to have little advantage over the properties being in the HRA and would extend the period of time before development could commence.

TL (LHC) will have additional overhead costs to enable it to operate as a separate legal entity and these will be factored into the business case. Furthermore, all costs will incur irrecoverable VAT on the delivery of landlord (i.e. VAT-exempt) services, and any profits will be liable to Corporation Tax. Again, these are factored into the business case; appropriate detailed and specific tax advice should be sought in due course.

It is difficult to determine the success stories of LHCs given that many are in their early stages of development and have only filed micro accounts to date which do not provide for a full picture of trading. With the Local Housing Companies we have been involved with the majority have based their plans on acquisition from the open market, although the trend has been to see more direct development. There can be loss-making periods in the early years until numbers of properties have been built if payments are made on account to the development company (effectively financing forward funding of elements of the development).

4.3. Procurement Options

The development of the properties would be resourced through TL (Devco).

However, the landlord function to manage the rental properties, would need to be sought and for the early years we would anticipate this being sourced externally.

4.4. Staffing Resource

As TL (Devco) would have the resource in place for the development, all that would be required, apart from the support services required (detailed below), would be a small clienting function for the landlord management services procured, the default would be for landlord services to provide services under contract or Service Agreement to TL (LHC).

There will also be operational costs to run TL (LHC) that will be also outsourced which includes:

- Accountancy Support
- IT support
- External Audit
- Ongoing consultancy and legal support
- Annual Valuations
- Operational & Board Insurances.

As set out above, ADC does have the opportunity to provide some of the above support services 'in-house' and charge to TL (LHC) rather than outsourcing but is very much dependent on capacity and expertise within the various teams.

4.5. Financial Analysis

We have considered three alternative approaches for modelling the LHC option:

- Option 1: 100% of non-affordable units are acquired and let at market rents
- Option 2: After the deduction of the affordable units 50% are sold on the open market and 50% let at market rent levels
- Option 3: After the deduction of affordable units 100% at Intermediate Rent levels.

Along with the costs for overheads assumed there will be operational costs to consider and these are detailed below.

Table 4.1: TL (LHC) Option 2 – Operational Assumptions

Category	Market /Intermediate Rent
Management Fee	7% of net rent (+ VAT)
Buildings Insurance	£200 per unit
Voids Allowance	2%
Bad Debt Provision	0.5%
Revenue Repairs Year 2+	£500 per unit (+ VAT)
Provision for Major Repairs Year 11+	£1,040 per unit (+VAT)

The rent levels that we have used in the modelling are detailed below.

Table 4.2: TL (LHC) Option 2 – Rent Assumptions

Category	Market Rent (per month)	LHA (per week/month)
2 Bed Flat	£925	£184.11/£798
2 Bed House	£995	£184.11/£798
3 Bed House	£1,200	£223.23/£967
4 Bed House	£1,375	£287.67/£1,246

Option 1 – 100% Private Rented Market

A commercial rate of 3.75% has been assumed for on-lending to TL (LHC), given that the rents will be at market levels.

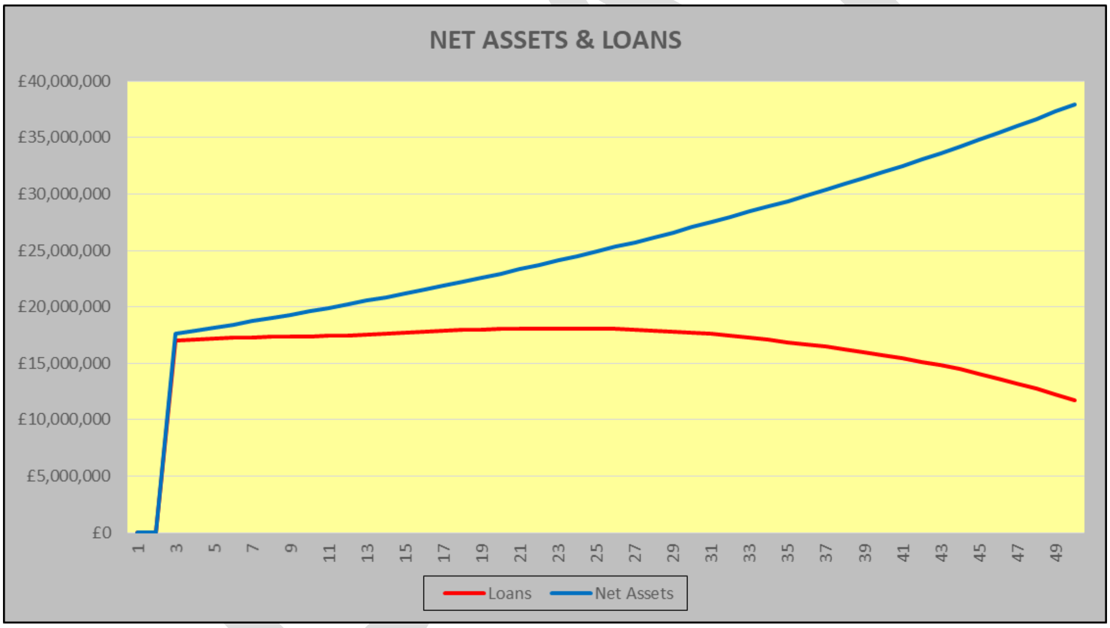
In the first instance we have assumed that TL (LHC) will acquire the units at 100% of open market value. Therefore the TL (Devco) profit (and dividend payment) is broadly similar but does increase to **£1.506million** on account that there will be no marketing fees, due to no market sales.

The premium (the difference between the cost and on-lending rate) on the loans remains unchanged.

In order to test the viability of TL (LHC) we have modelled the on-lending as a 'revolver' loan. Loan balances increase or reduce based on surplus or negative cashflows in order to demonstrate over what period borrowing could be repaid. The chart below shows this position.

We have assumed a flat rate for inflation of 2% for all income and costs, applied from year 2 onwards.

Chart 4.1: TL (LHC) – Forecast Loan Requirement & Net Asset Values – Blended Acquisition Approach 100% Market Rents



The red line represents the loan balances based on an interest rate of 3.75%. Following initial borrowing of £17.0million, borrowing peaks at £18.1million in year 24 then reduces to £11.7million in year 50. If using the final years' trajectory, the loans could be repaid by year c69.

The blue line represents the net asset value of the properties after tax and assuming house price inflation of 2%.

Whilst the loans balances are below the asset value for all years, the prospect of needing to borrow to continue to operate does not present a viable position.

In addition, due to the nature of the 'revolver' loan, all surpluses are utilised for debt repayment and not dividends payable to ADC. The 'revolver' loan does not factor in the potential implications for MRP, as discussed above. Given that no significant levels of debt can be repaid in this option it is not considered any further at this stage.

The return to the Council, based on a borrowing cost of 2.75%, would provide an annual return on interest premium of c£0.173million per annum.

As the annual interest charges within the plan for TL fall within the £2million cap for party related loans, the full interest charge is therefore included with the Corporation Tax computation.

Option 2 – 50% Market Sale 50% Private Rented Market

Given the outcome of the modelling above we have not shown the impact of reducing the number of private rented properties given that due to economies of scale for the coverage of overhead costs the borrowing increases year on-year.

Option 3 – 100% Intermediate Rented Market

Replacing the market rental values with those of the intermediate values will have an adverse impact to the viability. This can be offset by reducing the interest rate to 3.25% due to the sub-market nature of the lettings. By reducing the acquisition value to 90% of open market value further improves the position, but leaves TL (Devco) making a £0.218million profit and in-year borrowing still required by TL (LHC).

Summary

The initial appraisal for all three schemes demonstrates that long-term viability is challenging to achieve. A key factor in this is the coverage of overheads of c£0.112m per annum with only a rental holding of 56 units. In order to achieve greater viability it would take at least a 200 stock holding from TL (Devco) to repay any borrowing within a 50-year time period.

4.6. Meeting Objectives Assessment

The matrix below shows an assessment of how the LHC meets the requirements of ADC and to enable a direct comparison in order to assist with recommending an option.

Table 4.2 Option 2: TL (Devco) & TL (LHC) - Objective Matrix

Objective	Option Meets objective	Commentary
Ability to deliver the type of houses needed	Partly	Based only on viability within TL (Devco)
Potential to provide Intermediate rented properties	Partly	Whilst TL (LHC) could deliver intermediate rented properties the viability assessment on acquisitions from TL (Devco) appear financially unviable

Objective	Option Meets objective	Commentary
Provide a sound profitable basis	No	Considered high risk as land purchases in competition with developers with higher buying power for TL (Devco). For TL (LHC) the proposition appears unviable based on the assumptions made.

4.7. Advantages & Disadvantages

In conjunction with the above financial analysis, we have identified the advantages and disadvantages (or strengths and weaknesses) of establishing a LHC in addition to TL (Devco).

Table 4.3 Option 2: TL (Devco) & TL (LHC) - Advantages and Disadvantages

Advantages	Disadvantages
The Council will make a return (premium) on the loans it makes to both the Devco and LHC and potential dividends they would receive	There are additional set up costs involved. VAT is payable on operating costs for the LHC.
Ability to flip rent levels for properties not classified as affordable between intermediate and full market rent.	Additional administration with separate accounts required (that then possibly consolidate with the Council)
Market level rented properties could be sold or let as intermediate or affordable rented properties at a later stage	There may be an indirect impact on the Council being able to borrow on other projects through constraints on prudential borrowing – as a result of development and investment lending running concurrently.
There is the option to have different tenures on the sites depending on the market assessment	The Council has no experience of letting within the private sector and will need to contract with a suitable provider.

4.8. Key Risks and Mitigation

The table below identifies the key risks specifically associated with the combination of a Devco and LHC. The majority of risks will only emerge once the LHC commences trading and development starts.

Table 4.4 Option 2: TL (Devco) & TL (LHC) – risks

Risk	Likelihood	Measures and mitigation
The financial assumptions used to model the outputs prove to materially different in practice	Medium	The assumptions will be undertaken with external advice and are comparable with other similar products. Variations would be appraised by the LHC board for it to instigate compensatory changes elsewhere in the plan or to monitor the situation if considered marginal
Higher than anticipated build costs	High	This would be monitored as it could have a significant impact to the viability of the LHC. Contracts could be let on the basis of risk transfer to the builders

Risk	Likelihood	Measures and mitigation
Rising interest rates	Medium	Assumed increases will be built into the business case. In periods of higher inflation and interest rises living rents would be expected to increase. Fixed rate borrowing could also be undertaken.
Tax issues have not been clearly identified and modelled	Medium	Scheme appraisals will assume an allowance for payment of non-recoverable VAT. Advice needs to be sought as part of the set-up process to minimise future implications. Corporation Tax will be payable on annual profits.
A legal challenge is made with regards to State Aid (Subsidy Control)	Low	Expert opinion could be sought to ensure that the terms and interest rates offered on the loans by the Council are considered reasonable.
Properties prove difficult to let	Low	Demand through the waiting list shows that this should not be problematic for intermediate units. The ability to switch properties to market levels and vice-versa
Impact on staffing if the LHC is wound up or does not progress	Low	The LHC would not employ anyone directly and any services that could not be provided by the Council internally would be outsourced. Any support from the Council would use existing resources so there are no risks to current staff. Some support is anticipated to be outsourced within the modelling and this could be expanded
Perception and reputation	Low	The Council's role as an operator in the market sale and private letting sector would need to be considered in the context of ensuring correct branding and marketing strategy
Demand for certain tenures changes	Low	The balance of the properties, be it market rent or market sale, could be varied voluntarily for a short or medium term, though the impact to the business plan would be need to be assessed

5. Option 3. Acquisition of Properties for Market & Intermediate Rent

5.1. Introduction

The first two options have focused on delivering new properties through development. Another option, and one that has been undertaken by a number of councils, is the route of acquisition. As with option 2, such stock holding companies are recognised as Local Housing Companies (LHCs).

This option focuses on TL concentrating on acquisition as a LHC.

Exemplars for a Local Housing Company include South Cambridgeshire's Ermine Street Housing, Wokingham Housing and Reading Homes. It is noted and acknowledged in the most recent UCL report that the abolition of the HRA debt cap has led many authorities to rethink their options, particularly where affordable housing was a key driver.

The routes for acquisition will be straightforward though may involve competition from other providers:

- Purchasing from properties on the open market via estate agencies or direct marketing
- Acquire directly from housing developers (from those that would be offered to the market)
- Review local auctions for repossessions and seek to fully refurbish (where necessary)
- Small annual transfers from the HRA (limited to 5 per year).

Before any acquisition price is agreed, the individual or group of properties can be appraised without the risk of development costs. Trisanto could establish a hurdle/appraisal process whereby if an appraisal does not meet a pre-agreed series of hurdles for financial performance (for example Net Present Value, payback, Internal Rate of Return), then an acquisition would not progress.

5.2. Legal & Financial Structures

The structure is in place for TL already, although a review of the articles of association may be necessary to ensure long-term property hold is covered.

Financially, it will be as described in section 2, with ADC providing loan facilities to TL. These are discussed further in the financial analysis section below.

5.3. Procurement Options

There will be no direct procurement required in respect of the acquisitions. However, some support services will be provided externally and require a form of tendering, but these would not be subject to the usual rules that apply to ADC.

5.4. Staffing Resource

Discussions with local agents and developers already identified on sites within the district could commence immediately to identify if there are the opportunities modelled within this outline business case. We would expect to be carried out by officers already in place.

If, based on discussions and further testing of the business case, the decision was made to progress this we would assume that TL would recruit an acquisition officer. This has been costed into the business case for a period of 5 years, the duration of modelled acquisitions.

As before, operational and support costs, including recharges for client monitoring have been modelled into the plan.

5.5. Financial Analysis

We have made a range of assumptions in order to produce an outline business case, which of course can vary, but at least sets out a potential position.

We have focused only on two area of acquisitions, where we think are the areas where the greatest volume could be achieved. For auction acquisitions, this is very market-dependent and still volatile given the past couple of years. We have also assumed that this stage that ADC will want to retain as much stock as possible within its HRA and therefore no transfers have been modelled.

Acquisitions from forthcoming developments

We have reviewed the sites identified for development within the next 5 years within the district and concentrated on the most populated areas with a view for demand for rental properties. Given that planning is either in its early stages or masterplans being consulted on we have had to assume the type of properties acquired. Within the modelling we have assumed the following split of house to be acquired:

- 2 Bed 35%
- 3 Bed 50%
- 4 Bed 15%.

For each of the development areas we have assumed that 10% of the sites could be acquired, allowing for 30% that will be made affordable, leaving 60% for the developer to market for sale.

There is a risk with changes to planning and also Government policy that may well affect the percentage that could be acquired, First Homes, being the obvious challenge although the full implications are yet to play out.

The table below lays out the areas of the sites that we have researched, the potential overall development numbers and then what we have assumed that could be acquired. In total, we estimate at least that 294 homes could be acquired for letting at market rent levels.

Table 5.1 Option 3: TL (LHC acquisition) – Potential Development Sites Numbers

Area	No. of Sites	Total Homes	Year	No. Acq'd	2 Bed	3 Bed	4 Bed
Pangham South	2	465	2023	46	16	23	7
Pangham North	2	580	2024	58	20	29	9
West Bersted	1	225	2023	22	8	11	3
Fontwell	1	400	2023	40	14	20	6
Yapton	1	250	2025	26	9	13	4
Angmering North	2	700	2025	71	25	35	11
Climping	1	300	2024	31	11	15	5
TOTAL		**2,920**		**294**	**103**	**146**	**45**

We have carried out research on both market sales and rental values for the area, noting that these could be impacted with the new developments within the area. The values assumed are as follows.

Table 5.2 Option 3: TL (LHC acquisition) – Potential Development Site Values

£	Market Sales Values			Market Rental Values (per month)		
	2 Bed	3 Bed	4 Bed	2 Bed	3 Bed	4 Bed
Pangham South	325,000	390,000	500,000	1,000	1,250	1,500
Pangham North	325,000	390,000	500,000	1,000	1,250	1,500
West Bersted	300,000	330,000	400,000	1,100	1,350	1,600
Fontwell	320,000	380,000	420,000	1,100	1,400	1,550
Yapton	340,000	390,000	470,000	950	1,350	1,450
Angmering North	320,000	350,000	415,000	1,150	1,350	1,500
Climping	320,000	350,000	415,000	1,150	1,350	1,500

In terms of acquisition values we have assumed a **5% discount** on the above values, given that TL would make bulk purchases, provide certainty and savings for the developer in respect of marketing. The modelling assumes acquisition at completion, therefore there are no payments in advance. If this was required then a further discount on the acquisition value would be needed in order to cover the financing cost for TL.

We have factored in SDLT rates at current levels with the 3% premium for landlords. An additional £500 per property has been included for legal fees, again discounted due to an assumption of bulk purchases.

Given that these properties are new and market values initially inflated to reflect this, all lettings are assumed to be at market levels with no intermediate rents modelled.

Operational costs are the same as assumed in table 4.1.

Table 5.3 Option 3: TL (LHC acquisition) – Potential Development Site Financial Performance

%	Gross Yield		
	2 Bed	3 Bed	4 Bed
Pangham South	3.9	4.0	3.8
Pangham North	3.9	4.0	3.8
West Bersted	4.6	5.2	5.1
Fontwell	4.3	4.7	4.7
Yapton	3.5	4.4	3.9
Angmering North	4.5	4.9	4.6
Climping	4.5	4.9	4.6

This table provides a demonstration of the gross yields for each area and type of house that has modelled and how it varies.

In terms of targeting a gross yield, the costs of finance and operational costs must be factored in to the appraisal.

Acquisitions from the Open Market

Put simply, these will be acquisitions either from properties being marketed through local estate agents or through direct marketing campaigns managed by TL.

We have centred on two population areas, Bognor Regis and Littlehampton. Furthermore, we have split the acquisitions equally between low-range values and mid-range values.

Within the modelling we have assumed the following acquisitions, each year, for a 5-year period.

Table 5.4 Option 3: TL (LHC acquisition) – Open Market Acquisition Numbers pa

Area	Point	2 Bed	3 Bed	4Bed
Bognor Regis	Low	3	4	1
	Mid	3	4	1
Little Hampton	Low	3	4	1
	Mid	3	4	1
Total		12	16	4

Therefore, over a period of 5 years a total of 160 property acquisitions have been modelled from the open market.

In terms of the market values modelled the tale below lays out those assumed and the rental values modelled. Properties acquired at the low range of the market will be let at Local Housing Allowance (LHA) levels which we have deemed at intermediate as between affordable and market levels.

By setting rents at LHA levels any intermediate rent would be fully covered by Universal Credit, if tenant needed to rely on this.

Table 5.5 Option 3: TL (LHC acquisition) – Open Market Acquisition Values

£		Market Values			Rents Assumed		
Area	**Point**	**2 Bed**	**3 Bed**	**4Bed**	**2 Bed**	**3 Bed**	**4Bed**
Bognor Regis	Low	200,000	230,000	280,000	798	967	1,250
	Mid	230,000	250,000	320,000	1,100	1,250	1,400
Littlehampton	Low	215,000	240,000	300,000	798	967	1,250
	Mid	240,000	270,000	335,000	1,100	1,350	1,450

In terms of acquisition values we have assumed a **5% discount** on the above values, given that TL would provide certainty. The modelling assumes acquisition at completion. We have factored an average initial £1,750 improvement cost for each property to ensure it will be at a lettable standard.

We have factored in SDLT rates at current levels with the 3% premium for landlords. An additional £750 per property has been included for legal fees.

Operational costs are as modelled for the new development properties.

5.6 Option 3: TL (LHC acquisition) – Open Market Acquisitions Performance

%		Gross Yield		
Area	**Point**	**2 Bed**	**3 Bed**	**4Bed**
Bognor Regis	Low	4.7	4.9	5.3
	Mid	5.6	5.9	5.1
Little Hampton	Low	4.4	4.7	4.9
	Mid	5.4	5.9	5.1

This table shows that the intermediate rents provide for a lower gross yield and that Bognor Regis performs slightly better.

Financial Projections

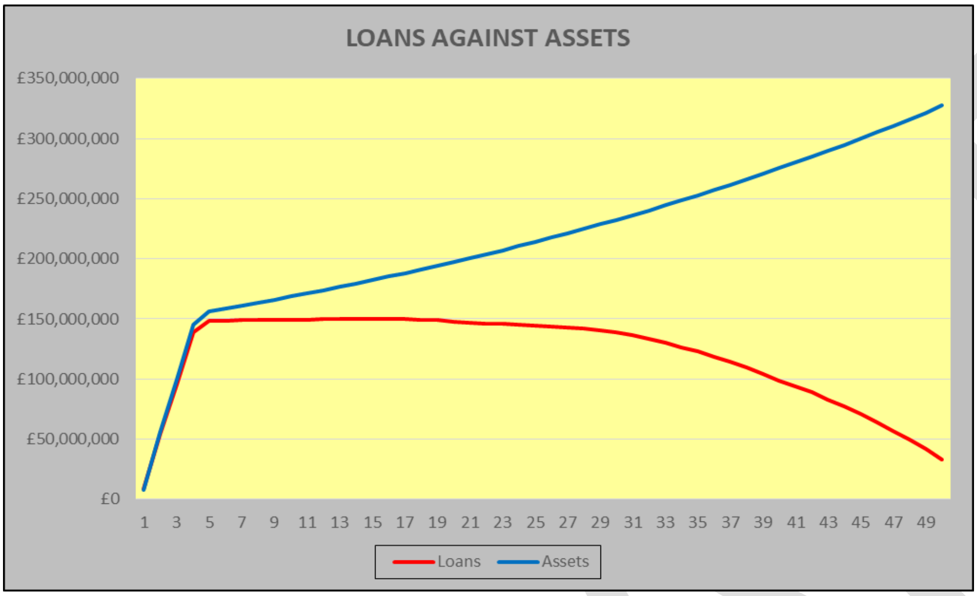
We have modelled the combined acquisition of 454 properties over 5 years using the various assumptions of purchase prices and rent levels as set out above, using appropriate levels of future overhead costs of c£0.074million per annum and a financing cost of **3.66%** (which takes into consideration that 18% of the properties will be at intermediate level at 3.25% and the balance at a rate of 3.75%).

Corporation Tax is a key factor within the outline business case. As profits will be greater than £250,000 a rate of 25% is applied. In addition as interest charged to TL is greater than £2million on an annual basis, we have applied the related-party rule that only £2million of interest is allowable in the Corporation Tax computation.

As before, we have modelled on the basis of a 'revolver' facility that draws financing as required and utilises surpluses to repay this in order to demonstrate viability.

The forecast 'revolver' facility is shown in the graph below, with an assumption of annual inflation for all costs, rents and market values.

Chart 5.1 – TL (LHC) - Forecast Loan Requirement & Net Asset Values – Blended Acquisition Approach



The chart demonstrates gradual borrowing up to an initial £148.2million and then peaks at £150.2million and begins to reduce post year 16 of the plan. At all times, asset values remain higher than the loan balances.

The loan balances are forecast to be c£33.3million in year 50, but following the reduction trajectory could be fully repaid by year 54, within a 50-year window of the final acquisitions.

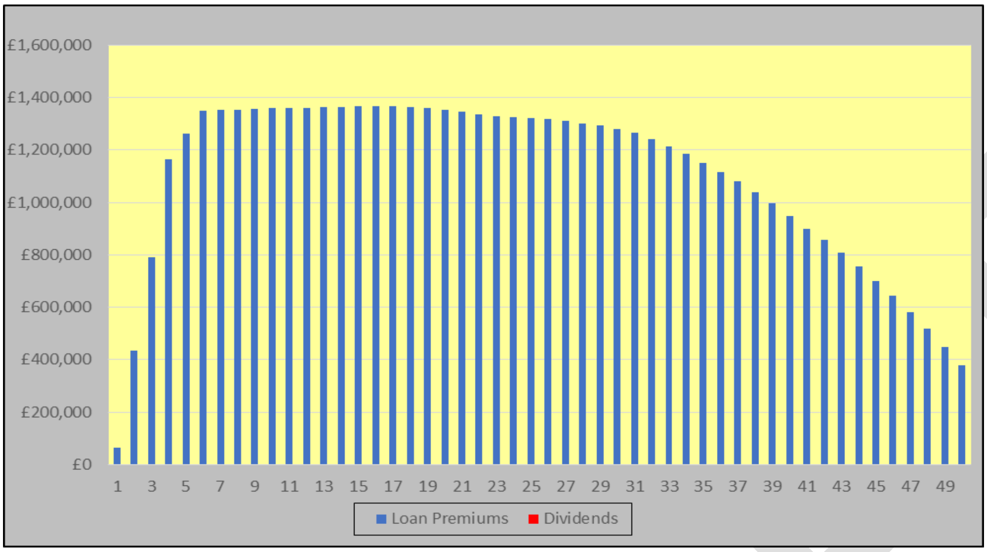
This approach assumes that no dividends will be payable during this period as surpluses are used to repay debt.

The loan projection is not ideal in that borrowing is required for the period from year 6 to 16 in order to cover interest and operating costs. Whilst TL would still be considered a 'going-concern' in that ADC would continue to provide finance support, this would cause issues if any loan repayments were required during this phase.

A key constraint on the viability is the inability to include 100% of the financing costs within the Corporation Tax computation. For example in the 6th year of the plan (post all acquisitions) the interest charge is £5.425million. With only £2million interest allowable in the computation, the resulting Corporation tax actually payable for the year (for operations) is £0.992million, whereas if 100% of the interest was allowable the amount due would reduce to £0.135million. The full impact of this over the duration of the plan is demonstrated in the sensitivity table below.

We have assumed that the actual cost of borrowing to the ADC for the on-lending to TL is 2.75% set against the 3.66% that would be charged. This results in an annual premium on the interest charges, for the benefit of ADC. This annual values, based on the above 'revolver' loan profile, are shown in the graph below.

Chart 5.2 – TL (LHC) Forecast Loan Premiums For ADC – Blended Acquisition Approach



This equates to an average £1.36million per annum in the mid-term of the plan.

Fixed Term Loan Repayments

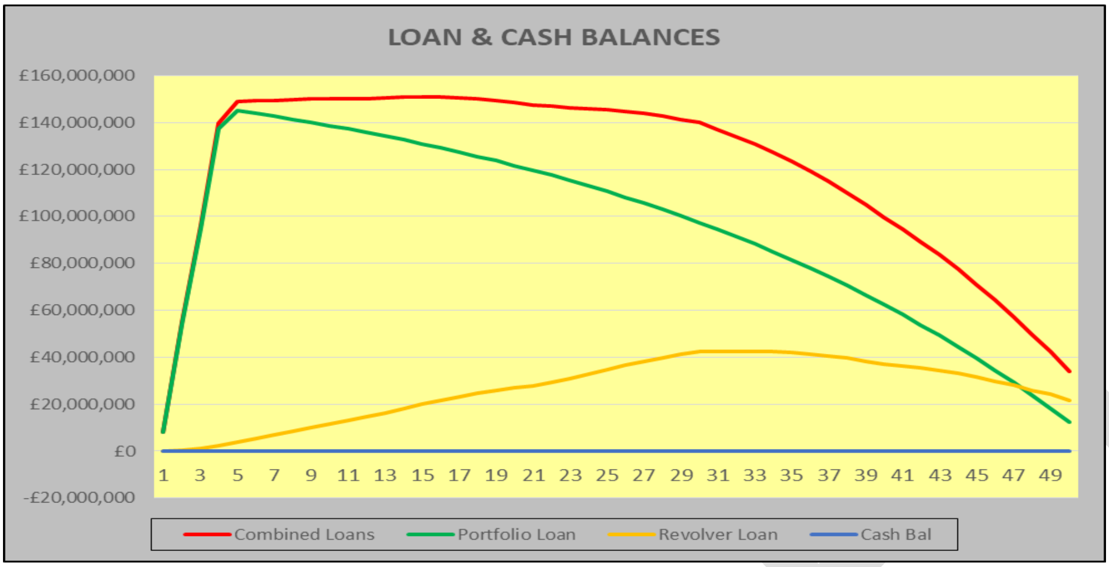
As we have previously discussed, the borrowing that ADC would draw from PWLB (or other sources) would have to be accounted for within the capital expenditure plans and increases the General Fund Capital Financing Requirement (CFR). In turn, this requires the section 151 officer to determine the level of Minimum Revenue Provision (MRP) to apply. If this is greater than zero, ADC would need to finance the MRP from the loan premium received. For example if MRP was set at 4% of loan balances (on the basis of a 25 year asset life, for example), this could be in the region of £6million per annum. The key here would be to develop a repayment and MRP strategy that was fundable from cashflows whilst also meeting the principles of prudence for the Council.

The chart below shows the financial position if 50-year annuity loans were drawn down by TL.

The green line represents the fixed loans and the scheduled repayment, whereas the yellow line demonstrates the additional working capital loan that would be required by TL in order to maintain positive cash balances. A combination of both loans is demonstrated by the red line, but full repayment could be achieved by year 54, as before.

A 15% cash equity injection of c£20.9million over the first 5 years would see a position of no working capital facility required, but would leave the council having to make MRP payments on this value (if it was borrowed) and a reduced interest premium from the on-lending.

Chart 5.3 – TL (LHC) - Forecast Loan Balances (Fixed Annuity Basis) – Blended Acquisition Approach



Therefore, the financing of the potential acquisition route for TL will need serious consideration by ADC.

Sensitivities and stress testing

We have modelled a range of sensitivities using the 'revolver' loan approach to test both positive and negative impacts upon the plan.

5.7 Option 3: TL (LHC acquisition) – Sensitivity Testing

Sensitivity	Debt in Year 50 £'m	Debt Repaid (Yr)	Cash Bal in Year 50 £m	Ave Interest Premium (Yr6) £'m
Base	**33.28**	**54**	**-**	**1.35**
Advantageous:				
Inflation 2.5%	-	47	40.17	1.36
Discount OMV 10%	-	49	6.94	1.27
100% Market Rent	24.23	53	-	1.48
Interest -0.25%	-	49	3.45	0.97
5% Equity Input	-	49	2.85	1.28
Rents +5%	-	49	7.18	1.34
No £2m C Tax Interest Restriction	-	47	27.57	1.34
50% Reduction in Acq No.s	-	50	0.91	0.68
Adverse:				
Inflation 1.5%	101.96	-	-	1.34
No OMV Discount	75.32	-	-	1.43
Interest +0.25%	78.42	-	-	1.73

Please note the sensitivity for reduction to 50% of acquisitions, in that financial viability is increased. This is due to a lower value of interest being charged and the impact of the £2million cap for corporation tax purposes, as exemplified in the sensitivity with it being fully withdrawn. However the net benefit to ADC is effectively halved.

Testing the plan we estimate that around 140 properties would be the minimum level of acquisition in order to cover overheads and the loans be repayable over a 50-year period from final acquisition.

The plan is however, very sensitive in general to changes in input economic, inflation and housing market assumptions

5.6. Meeting Objectives Assessment

As with the other options we have assessed a TL operating as a LHC through acquisition with the following objectives.

Table 5. 8 Option 3: TL (LHC acquisition) - Objective Matrix

Objective	Option Meets objective	Commentary
Ability to deliver the type of houses needed	No	No new developments controlled by TL/ADC will be built
Potential to provide Intermediate rented properties	Yes	Whilst TL (LHC) could deliver intermediate rented properties, this would be dependent on financial viability considerations
Provide a sound profitable basis	Yes	This is the most risk averse option. The plan shows no dividends as surpluses used for debt repayment

5.7. Advantages & Disadvantages

The advantages and disadvantages of through delivering through acquisition are detailed below:

Table 5.9 Option 3: TL (LHC acquisition) - Advantages and Disadvantages

Advantages	Disadvantages
The Council will make a return (premium) on the loans it makes to TL and the potential for dividends	VAT is payable on operating costs for TL.
Intermediate (if at LHA) rents – subsidised by market rents.	Additional running costs, board requirements and initial legal, financial and advisory costs to set up.
All properties classified as intermediate will be let on assured tenancies thus negating the loss of stock through Right to Buy	Potential implications for corporation tax, VAT, stamp duty land tax and State Aid (Subsidy Control)
Ability to flip rent levels for properties between intermediate and full market rent.	Additional administration with separate accounts required (that then possibly consolidate with the Council)
Market level rented properties could be sold or let as affordable rented properties at a later stage	The Council has no experience of letting within the private sector and will need to contract with a suitable provider.

5.8. Key Risks and Mitigation

The table below identifies the key risks specifically associated with the acquisition option.

Table 5.10 Option 3: TL (LHC acquisition) – Risks

Risk	Likelihood	Measures and mitigation
The financial assumptions used to model the outputs prove to materially different in practice	Medium	The assumptions will be undertaken with external advice and are comparable with other similar products. Variations would be appraised by the LHC board for it to instigate compensatory changes elsewhere in the plan or to monitor the situation if considered marginal.
Rising interest rates	Medium	Assumed increases will be built into the business case. In periods of higher inflation and interest rises living rents would be expected to increase. Fixed rate borrowing could also be undertaken.
Tax issues have not been clearly identified and modelled	Medium	Scheme appraisals will assume an allowance for payment of non-recoverable VAT. Advice needs to be sought as part of the set-up process to minimise future implications. Corporation Tax will be payable on annual profits.
A legal challenge is made with regards to State Aid (Subsidy Control)	Low	Expert opinion could be sought to ensure that the terms and interest rates offered on the loans by the Council are considered reasonable.
Properties prove difficult to let	Low	Demand through the waiting list shows that this should not be problematic for intermediate units. The ability to switch tenures if required.
Impact on staffing if the LHC is wound up or does not progress	Low	The assumption is that one member of staff is recruited to deliver the acquisitions. Other than this TL would not employ anyone directly and any services that could not be provided by the Council internally would be outsourced. Any support from the Council would use existing resources so there are no risks to current staff. Some support is anticipated to be outsourced within the modelling and this could be expanded
Perception and reputation	Low	The Council's role as an operator in the private letting sector would need to be considered in the context of ensuring correct branding and marketing strategy
Demand for certain tenures changes	Low	The balance of the properties, be it market rent or market sale, could be varied voluntarily for a short or medium term, though the impact to the business plan would be need to be assessed.

6. Developing a Way Forward

6.1. Summary

From reviewing the three options, both options 1 and 2 should, in our view, be discounted, in our opinion, on the basis of the relatively high risk associated with these options. This is discussed further below with the considerations required to progress with option 3.

Option 1

Whilst option 1 returns a profit for developing properties and provides the HRA with the opportunity to acquire 30% of whatever is built, TL (Devco) would be in competition with medium to large sized developers who have the immediate resources, designs and Supply chain, all of which bring cost efficiencies. Therefore, as shown in our example, TL (Devco) could easily be outbid for land acquisitions. Furthermore, as ADC does not have the resource or capacity in-house to provide to TL (Devco) this would have to be procured externally and this may be at risk. We also feel that uncertainties with both post Brexit and the Covid pandemic that material prices are subject to high levels of inflation and labour resources are low in terms of capacity would lead to uncertain levels of development costs, putting any potential profit or equity injection at risk.

Option 2

Due to the reliance on both development and land acquisition and the likely low levels of properties that could be retained for letting at market rents, the option for creating a subsidiary for TL is a route that is likely to be unviable. It cannot be completely ruled out if ADC opts to progress with option 3, with a substantial land holding, but would continue to carry the risk of upfront costs and loss of equity injection if land acquisitions were unsuccessful.

Option 3

The option for diverting away from development and focusing on acquisition is considered the lowest risk and potentially most financially viable option for Trisanto. This is primarily due to the much reduced costs involved in appointing an officer, either within TL or ADC (and subsequently recharged) to focus on acquisitions, but also the ability to test individually the viability of each acquisition to determine if it should go ahead or not.

The primary risk is that insufficient numbers of properties are able to be acquired in order to cover forecast overheads, and also gives unpredictability in terms of the funding requirement from ADC in order to inform the Medium-Term Financial Strategy. In addition, external tax advice will be required upon which both officers and members of ADC can rely, given the substantial impact this has on the viability of the plan.

Therefore, this is the one option that should be considered for further investigation and advancement to a full business case stage.

As we have commented, ADC can initially test the market with local agents, active developers and also researching auction sites to see whether sufficient properties could be acquired before committing a dedicated resource for TL.

ADC will need to consider the funding of TL in order to make these acquisitions and the associated debt repayment mechanisms to ensure viability.

It is likely that no dividends could be payable for a number of years if TL surpluses are utilised for loan repayments but ADC will benefit from the interest premiums on loans but also a shareholding in a company with of an asset base that will appreciate in value.

In addition, the 50-year potential repayment period would also need to be considered and a view taken on an appropriate hurdle for loan payback. Conversely, as a trading company, the Council may take the view that Trisanto may always have options to "trade out" and realise gains to repay borrowing.

We have provided our opinion on the treatment of both tax and meeting State Aid (Subsidy Control) requirements, but ADC may wish to seek further specialist legal advice on this before progressing.

Finally, before progressing we suggest that research is carried out to demand for both market and possibly intermediate rent within the district and if there are particular geographical area, property types or sizes upon which to focus.

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ECONOMY COMMITTEE ON 29 March 2022

PART A : REPORT

SUBJECT: Installation of Additional Beach Huts in Littlehampton, West Sussex

REPORT AUTHOR: Paul Broggi – Property, Estates & Facilities Manager
DATE: 18 February 2022
EXTN: 01903 737506
AREA: Technical Services

EXECUTIVE SUMMARY:

This report seeks to set out a viable business case for the installation of additional beach huts within Littlehampton. Consent is also sought to proceed to submission of a suitable planning application and to procure the manufacture and installation of beach huts on site. This will ensure the Council secures additional leaseholders and increase service revenue, working towards meeting the known customer demand for access to this popular seaside service.

RECOMMENDATIONS:

That Committee:

1 - Approves proceeding with the procurement and installation of 17 new composite beach huts including supporting bases in the locations set out at Appendix 1 of this report.

2. Delegate to the Group Head of Technical Services, authority to enter contract for the supply and installation of composite beach huts with the most economically advantageous contractor following the procurement exercise.

3 - Delegates to the Group Head of Technical Services authority to submit any necessary planning application(s) for the purpose of installing additional beach huts in Littlehampton.

1. BACKGROUND:

1.1. Demand for beach huts remains high, as confirmed and set out in the recent Beach Hut service review heard and agreed by the Economy Committee in October 2021. The Economy Committee instructed that Property & Estates proceed to review and bring back proposals to Committee for the siting of additional beach huts at the earliest opportunity, hence this report.

1.2. The Council previously submitted a planning application for the siting of an additional 20 new composite beach huts in March 2021 on the seafront in Littlehampton under planning application reference LU/50/21/PL. (link to application at Appendix 3)

This application went to the Council's Development Control Committee (DC) on the 28 April 2021. The planning application was presented to DC with a Planning Officer recommendation for approval.

DC subsequently refused the planning application on the grounds that given the number and position of the proposed beach huts and the lack of accessibility detail the development would adversely affect the visual amenities of the locality in conflict with policies D DM1, DSP1 and LAN DM1 of Arun Local Plan and policy SCP-1 of the South Inshore and Offshore Marine Plan.

The Planning Officer in her report to DC expressed the view that the planning application submitted was compliant in all aforementioned policy areas.

1.3. During the past refused planning application (LU/50/21/PL) a representation was received at consultation stage regarding making provision for accessible beach huts. There are no plans to make any of the 17 proposed standard composite huts wheelchair accessible. This aspect is covered and explained in further detail within the EIA at appendix 5.

1.4. To address the past planning application refusal the recommendations in this report look to reduce the number of planned beach huts to install from 20 to 17. This will see the removal of 3 of the Western most located huts. (see plan at appendix 1)

1.5. Initial comments received by Property & Estates following the planning refusal included to relocate the bank of 10 beach huts proposed on the Western end of the existing run of beach huts to the Eastern end, just past the newly constructed beach café. Property & Estates have consulted the Council's Coastal Engineers on this proposal. The Engineers have confirmed that the shingle in the Eastern location to be unstable and the beach subject to annual over wash with loss of shingle. This is therefore not considered to be a viable alternative location upon which the Council should locate beach huts due to the risk of sea damage to the Councils assets.

1.6. In terms of economies of scale when purchasing the beach huts in the past the Council looked to secure a fixed manufacturing run. This requires the manufacturer to produce vacuum moulds to run out the necessary composite materials for the walls, roofs and flooring sheeting materials. They also need to employ suitably skilled staff (carpenters) to complete the hut builds.

Ordering small numbers of beach huts causes the individual unit price to increase as the manufacture cannot take advantage and pass on the economies of scale they attain with larger orders. When added to the haulage costs to get the beach huts to site from the factory this makes the smaller install schemes more expensive. In the event the Council are unable to locate 7 beach huts to the Eastern end of the beach hut run in Littlehampton this would then leave the scheme with a total hut install of 10 units. This is not considered to be a viable single project.

1.7. The rental rates included in the viability study at appendix 2 are in accordance with the beach hut review recently carried out. All new beach huts would be offered to persons whose main residence was within the Arun District, in accordance with the Economy Committee's agreed and carried policy. The leaseholder for the new installations would be obtained from the Council's closed customer waiting list.

1.8. The viability study attached at Appendix 2 confirms the estimated cost to install seventeen beach huts with new bases as £185,671. Assessing revenue generated over nine years, post install, this estimates total revenue for 17 beach huts (plus lease fees) at £200,400 (assuming 100% letting, currently achieved on all sites across the District). The viability proposal therefore predicts a breakeven point during year nine. The first three years' rental income included within the viability study are set under the proposed new lease from 1st April 2022. Years four onwards have been included with a 3% uplift in rent each year. Anticipated annual revenue generation from years seven to fifteen are included in Appendix 2.

1.9. It should be noted that the price of supply and manufacture of composite beach huts has increased significantly. The budget allowance included in Appendix 2 provides for these increased costs and to supply and install a new Eco Beach Hut. This beach hut will look identical to those currently installed but will be constructed out of composite panels made from 98% recycled material in order that the hut meets the Councils challenging environmental commitments.

1.10. Funding for beach huts is included in Council's asset management budget for 2021/22. As it is unlikely the beach huts can be procured before 31 March 2022, this funding from 2021/22 will be carried forward to 2022/23. Demand for composite beach huts is high. Should the Committee agree the recommendations of this report and proceed with the installation of 17 additional beach huts then the Council should expect long lead in times (6 to 9 months) from placement of order to physical installation.

1.11. The proposal supports the Council's emerging vision in respect of fulfilling Arun's economic potential. The vision seeks to encourage the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend. Performance indicators include the increase in number of visitors, length of stay and visitor spend.

1.12. The Council is keen to ensure that it caters for the accessibility needs of those on its (closed) beach hut waiting list. Being located upon shingle that is subject to regular movement and sea over-wash in the most extreme weather conditions makes this a very challenging aspect of service provision. It is not therefore proposed that the beach huts in this installation will be wheelchair accessible. As set out in the equalities impact assessment at appendix 5 of this report it is the intention to submit a report to the Economy Committee within the next 12 months. This report will look to address provision of additional beach huts, a proportion of which will be fully wheelchair accessible. These huts will need to be in appropriate positions to afford ease of wheelchair access. The Council will look to consult potential customers held upon its closed waiting list to identify the number requiring accessible facilities to inform the next beach hut installation project.

1.13. The Current composite beach huts purchased are of standard design in respect of size / layout to standardise look. The Council worked with the manufacturer to design and produce this new style of hut. Accessible beach huts will clearly need to be a different size / design and so will require a manufacturer to design and gear up for production including different composite sheet manufacture. This will require additional cost and time to conclude.

2. PROPOSAL(S):

That Committee:

2.1 - Approves proceeding with the procurement and installation of 17 new composite beach huts including supporting bases in the locations set out at Appendix 1 of this report.

2.2. Delegate to the Group Head of Technical Services, authority to enter contract for the supply and installation of composite beach huts with the most economically advantageous contractor following the procurement exercise.

2.3 - Delegates to the Group Head of Technical Services authority to submit any necessary planning application(s) for the purpose of installing additional beach huts in Littlehampton.

3. OPTIONS

Alternatively:

3.1 - That the Economy Committee do not agree to procced with the proposed procurement and installation of the beach huts.

3.2 – That the Economy Committee amends the proposals included with in the report to approves the provision of an alternative option.

4. CONSULTATION:

Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council (see appendix 3)	X	
Relevant District Ward Councillors	X	
Other groups/persons (please specify)		X

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	X	
Legal	X	
Human Rights/Equality Impact Assessment	X	

Community Safety including Section 17 of Crime & Disorder Act		X
Sustainability		X
Asset Management/Property/Land	X	
Technology		X
Other (please explain)		X

6. IMPLICATIONS:

Financial

£260k is included in the 2021/22 Asset Management budget for Procurement and maintenance of Beach Huts. As it is unlikely that the beach huts can be procured before 31 March 2022, any unused balance of the funding should be re-profiled to 2022/23. The budget approved by the Council on 23 February 2022 includes £5k for this.

Legal

Compliance with S.123(2A) Local Government Act 1972 is to be achieved by way of advertising the proposed disposal of open space and considering representations made.

Asset Management / Property / Land.

The Property & Estates team will manage this project in house including identifying new tenants and processing leases with the assistance of Legal Services.

7. REASON FOR THE DECISION:

Beach hut services remain in high demand as set out in the recent Beach Hut service review agreed by the Economy Committee in October 2021. The Economy Committee instructed Property & Estates to proceed to review and bring back proposals to Committee for the siting of additional beach huts at the earliest opportunity resulting in this report.

The business / viability case attached at appendix 2 provides a positive picture indicating payback on investment within 6 years.

The proposal supports the Council's emerging vision in respect of fulfilling Arun's economic potential. The vision seeks to encourage the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend. Performance indicators include the increase in number of visitors, length of stay and visitor spend.

For the above reasons the recommended decision within this report is considered to be in the best interests of the Council.

8. BACKGROUND PAPERS:

Appendix 1 – Plan showing previous beach hut layout (20 units) and plan showing proposed layout (17 units)

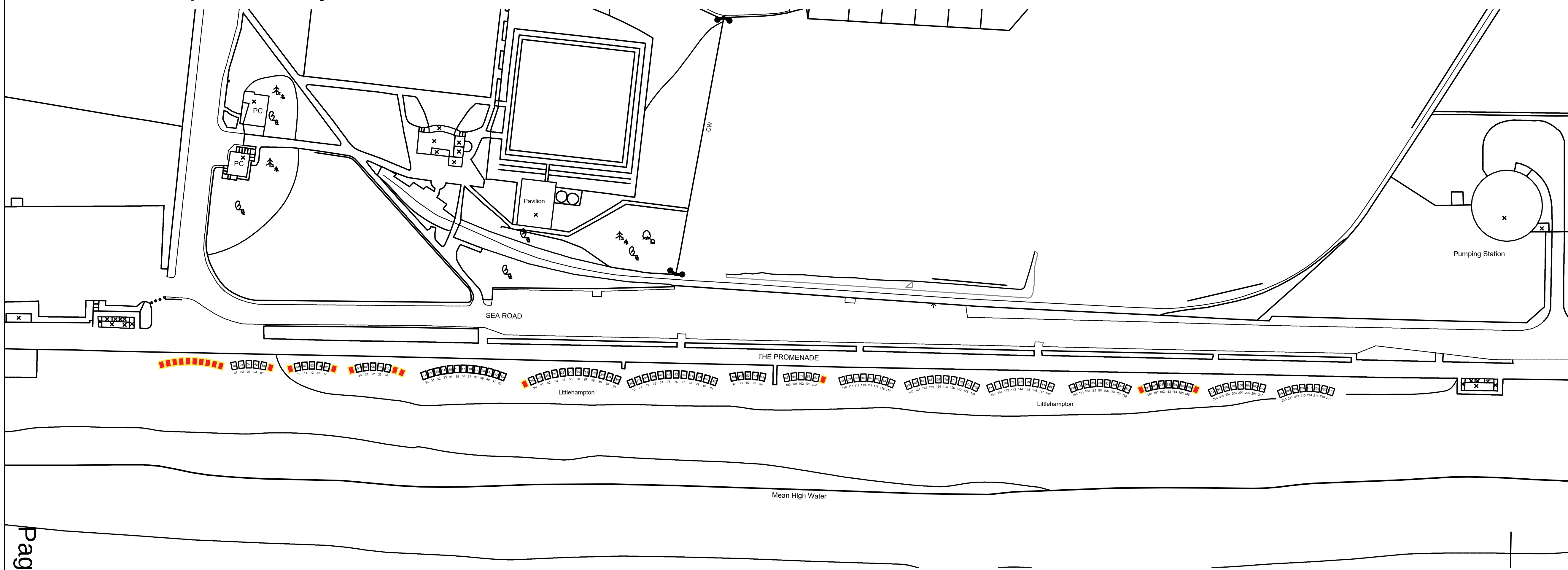
Appendix 2 – Business Case / viability proposal

Appendix 3 – Link to Passed refused planning application (LU/50/21/PL)

Appendix 4 – Consultation responses received from Ward and Town Council

Appendix 5 – Equality Impact Assessment

Previous Proposed Layout



Revised Layout

ARUN
DISTRICT COUNCIL

NOTES:
1. DO NOT SCALE FROM THIS DRAWING

N

	AMENDMENTS	BY	DATE
F			
E			
D			
C			
B			
A			

JOB TITLE:
Beach Huts
Littlehampton
West Sussex

DRAWING TITLE:
Proposed Layout

SCALE: NTS

PROPERTY:

DRG. No.: 001 REV.: -

DRAWN BY: SH

TRACED BY:

CHECKED BY: PB

DATE: February 2022

Sam Horwill
Senior Estates Surveyor
Arun District Council
Arun Civic Centre
Maltravers Road
LITTLEHAMPTON
West Sussex
BN17 5LF

Appendix 2 - Littlehampton Beach Hut Busines Case / Viability Proposal

Eco Beach hut individual price (£10,363) to include stainless steel doorset and also upgrade to sustainable composite panels in order to meet ADC climate commitment. This will ensure that the cladding products used are made from 98% recycled materials.

Project Budget Costs	
Planning consultant	£1,000
Manufacture deliver & install 17 beach huts	£176,171
Prepare and construct bases for 17 beach huts	£8,500
Project total £	**£185,671**

Budgeted Revenue	**No huts**	**Rate p/a**	**Total**
New lease fee	17	£150	£2,550
Year 1 rental income for 17 beach huts	17	£968	£16,462
Year 2 rental income for 17 beach huts	17	£1,083	£18,408
Year 3 rental income for 17 beach huts	17	£1,198	£20,367
New lease fee (estimated)	17	£190	£3,230
Year 4 rental income (estimated) for 17 beach huts	17	£1,234	£20,978
Year 5 rental income (estimated) for 17 beach huts	17	£1,271	£21,607
Year 6 rental income (estimated) for 17 beach huts	17	£1,310	£22,270
New lease fee (estimated)	17	£210	£3,570
Year 7 rental income (estimated) for 17 beach huts	17	£1,350	£22,950
Year 8 rental income (estimated) for 17 beach huts	17	£1,391	£23,647
Year 9 rental income (estimated) for 17 beach huts	17	£1,433	£24,361
New lease fee (estimated)	17	£230	£3,910
Year 10 rental income (estimated) for 17 beach huts	17	£1,476	£25,092
Year 11 rental income (estimated) for 17 beach huts	17	£1,521	£25,857
Year 12 rental income (estimated) for 17 beach huts	17	£1,567	£26,639
New lease fee (estimated)	17	£250	£4,250
Year 13 rental income (estimated) for 17 beach huts	17	£1,615	£27,455
Year 14 rental income (estimated) for 17 beach huts	17	£1,662	£28,254
Year 15 rental income (estimated) for 17 beach huts	17	£1,712	£29,104

subtotal (years 1 to 9) £			£200,400
subtotal (years 1 to 15) £			£370,961

Summary

Years 1 to 9 predicted total income	£200,400
Year 1 to 9 estimated reactive maintenance	£10,200
Estimated total income at end of year 9 less costs	£190,200
Cost of installation of 17 huts	£185,671
Estimated balance profit year 9.	£4,529
Proposed scheme estimated to break even during year 9.	

Carley Lavender

From: Juliet Harris
Sent: 03 March 2022 11:40
To: Paul Broggi
Subject: RE: New beach hut installations Littlehampton seafront. - Consultation ahead of report to Economy committee 29th March 2022.

Importance: High

CAUTION: This email originated from outside of the organisation. You should take extra care when clicking links or opening attachments - if you are unsure the content is safe contact the IT Helpdesk before clicking or opening.

Dear Paul

With apologies for the delay I have detailed below our response to this proposal:

Extract Minutes of the **Community Resources Committee** held in The New Millennium Chamber, Manor House, Church Street, Littlehampton BN17 5EW on **THURSDAY 17 February 2022** at **6.30 pm**

Present:

Councillor Blanchard-Cooper – Chair
Councillor Molloy
Councillor Tandy*
Councillor Turner
Councillor Dr Walsh KStJ

54.1. Arun District Council Beach Huts New Locations

Members had before them a revised proposal for the provision of additional beach huts on the seafront at Littlehampton – copy attached to the Minutes. This was due to be considered by the District Council's Economic Committee and Members' comments were sought on the plans. The revised scheme envisaged a reduction in the number of new huts to the west giving a total of 17 new huts to both the east and west of the beach. Concerns remained that the additional huts at the western end of the scheme would still impact the view to the seafront from Norfolk Road and the South Terrace Conservation Area. It was also considered unfortunate that shingle movement was thought to prevent further expansion of the scheme to the east as this area had the capacity to take more huts. The lack of accessible huts was also very disappointing as this was considered to be an opportunity to meet the deficiency in provision. The view was expressed that this might not work well at this stage as it required more detailed planning. It was noted that in response to a query, the provision of wheelchair accessible huts would be considered as part of a later project. Overall, the Committee felt unable to support the proposals unless the additional provision was fully accessible.

It was Resolved that:

The Committee's views as set out in Minute 54.1. above be forwarded to the District Council.

Thank you
Juliet

Juliet Harris
Assistant Town Clerk
Littlehampton Town Council
01903 732063

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Facebook: littlehamptontc
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Receive our news straight to your inbox. Sign up for eProgress
Sign up for the Visit Littlehampton e-Newsletter

From: Paul Broggi <Paul.Broggi@arun.gov.uk>
Sent: 16 February 2022 17:40
To: Juliet Harris <jharris@littlehampton-tc.gov.uk>
Cc: Peter Herbert <pherbert@littlehampton-tc.gov.uk>
Subject: RE: New beach hut installations Littlehampton seafront. - Consultation ahead of report to Economy committee 29th March 2022.

Juliet,

A point I forgot to mention also relates to the spacing of beach huts. For beach huts to be truly accessible along with size of doors and internal space / layout and facilities the Council would need to consider their spacing. The current spacing adopted would not be acceptable as use by persons with mobility issues, perhaps using wheelchair(s) or mobility scooter(s) would have insufficient room to park , store and manoeuvre in order to enjoy the facility in an unrestricted way, which would be the aim. These are all factors that will be considered when planning provision of further beach huts in other areas of the district moving forward so that we cater for customers that have access or mobility issues.

Many thanks

Paul

From: Juliet Harris <jharris@littlehampton-tc.gov.uk>
Sent: 16 February 2022 11:34
To: Paul Broggi <Paul.Broggi@arun.gov.uk>
Subject: RE: New beach hut installations Littlehampton seafront. - Consultation ahead of report to Economy committee 29th March 2022.

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Many thanks Paul – we will get something back to you following our meeting. Kind regards Juliet

From: Paul Broggi <Paul.Broggi@arun.gov.uk>
Sent: 16 February 2022 11:00
To: Juliet Harris <jharris@littlehampton-tc.gov.uk>
Subject: RE: New beach hut installations Littlehampton seafront. - Consultation ahead of report to Economy committee 29th March 2022.

Juliet.

Thanks there are no plans to make any of the 17 proposed standard composite huts wheelchair accessible. This is partly due to the fact that this would necessitate pathways to be laid on the shingle (some of which is vegetated). The shingle regularly moves and this presents on-going cost and maintenance issues for the council as well as risk in the event of slips trips and falls for persons using the area.

This proposed scheme is a small project of 17 huts and the Council will be looking to install more beach huts in Littlehampton and other areas of the district in order to meet the significant known demand. My team will be working on identifying these locations. Part of this exercise will be looking at the possibility of siting beach huts in a location where they can be readily and easily accessed via hard standing (such as promenade etc) by wheelchair users. It is felt that an alternative location other than the shingle, but still close to and connected with the beach, would deliver a sustainable alternative. We would also as part of this future project need to re-design the huts as the existing standard composite huts would require changes in order to accommodate potential wheelchair use such as door width / weight , level access / ramp facilities adjustable worktop internally as well as larger space in to provide turning circle toom to accommodate wheelchairs etc.

I hope that the above provides your members with comfort that this matter is on our agenda moving forward.

Yours sincerely

Paul

Paul Broggi MCIOB
Property, Estates & Facilities Manager
Property, Estates & Facilities Department
Technical Services
Arun District Council

I am someone who likes to work flexibly. I'm sending this email now because it suits how I balance my working hours.
So, I don't expect that you will read, respond to, or action this email outside of the hours that work for you.

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07920702884 (mobile)
Civic Centre, Maltravers Road, Littlehampton BN17 5LF

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From: Juliet Harris <jharris@littlehampton-tc.gov.uk>
Sent: 16 February 2022 10:49
To: Paul Broggi <Paul.Broggi@arun.gov.uk>
Subject: FW: New beach hut installations Littlehampton seafront. - Consultation ahead of report to Economy committee 29th March 2022.
Importance: High

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Dear Paul
Peter has passed this on to me and to confirm we have a Committee meeting tomorrow evening where will present this information and get Members views. I have one question about the accessibility of the huts which is something that we have raised before. Although the Town Council did not object to the original plans we had hoped that some (three was a figure we mentioned) would be wheelchair user friendly.
I am sure this will be raised by my Members tomorrow and wonder if you can say if this provision will form part of the new plans?
Many thanks
Juliet

Juliet Harris
Assistant Town Clerk
Littlehampton Town Council
01903 732063

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CONFIDENTIALITY NOTICE

From: Paul Broggi <Paul.Broggi@arun.gov.uk>
Sent: 16 February 2022 08:52
To: Peter Herbert <pherbert@littlehampton-tc.gov.uk>
Cc: LTC <LTC@littlehampton-tc.gov.uk>
Subject: New beach hut installations Littlehampton seafront. - Consultation ahead of report to Economy committee 29th March 2022.

Dear Peter,

In accordance with the Economy Committees instructions we have a report due to go in front of them on 29th March concerning the provision of additional beach huts in Littlehampton in order to assist meeting customer demand and increasing revenue generated for the Council.

You may recall The Council previously submitted a planning application for the siting of an additional 20 new composite beach huts in March 2021 on the seafront in Littlehampton under planning application reference LU/50/21/PL.

This application went to the Council's Development Control Committee (DC) on the 28th April 2021. The planning application was presented to DC including a Planning Officer recommendation for approval.

DC refused the planning application on the grounds that given the number and position of the proposed beach huts and the lack of accessibility detail the development would adversely affect the visual amenities of the locality in conflict with policies D DM1, DSP1 and LAN DM1 of Arun Local Plan and policy SCP-1 of the South Inshore and Offshore Marine Plan.

The planning officers report confirmed that the planning application submitted was compliant in all aforementioned policy areas.

It is my intention to submit a slightly revised plan reducing the number of beach huts from 20 to 17, losing three beach huts off the end of the Western most bank. I have attached a plan that shows the previous layout included in the planning application (20 huts) and the revised layout (17 huts) proposed as part of the report proposal being put to committee on the 29th March 2022.

Initial feedback received by Property & Estates following the planning refusal included to relocate the bank of 10 beach huts proposed on the Western end of the run of beach huts to the Eastern end, just past the newly constructed beach café. Property & Estates have consulted the Council's Coastal Engineers on this proposal. The Engineers have confirmed that the shingle in the Eastern location to be unstable and the beach subject to annual over wash with loss of shingle. This is therefore not a viable alternative location upon which the Council could locate beach huts due to the risk of sea damage to the Councils assets.

In terms of economies of scale when purchasing the composite beach huts (manufactured off site) in the past the Council looked to secure a fixed manufacturing run. This requires the manufacture to produce vacuum moulds to run out the necessary composite materials for the walls, roofs and flooring sheeting materials. They also need to contract in suitably skilled staff (carpenters) to complete the hut builds.

Ordering small numbers of beach huts causes the individual unit price to increase as the manufacture cannot take advantage and pass on the economies of scale they attain with larger orders. When added to the haulage costs to get the beach huts to site from the factory this makes smaller install schemes more expensive. In the event the Council are unable to locate 7 beach huts to the Eastern end of the beach hut run in Littlehampton this would leave the scheme with a total hut install of 10 units. This is not considered a viable single project to run.

I should also advise that Property & Estates will also be exploring other areas in the district where additional beach huts can be located.

I would be grateful to receive any comments that you may have in order that these can be incorporated into the report submitted to the Economy committee. I have also consulted Arun Ward Councillors in respect of this proposal.

Thank you in advance for your time in this matter and I look forward to hearing from you.

Yours sincerely

Paul

Paul Broggi MCIOB
Property, Estates & Facilities Manager
Property, Estates & Facilities Department
Technical Services
Arun District Council

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EQUALITY IMPACT ASSESSMENT

Name of activity:	Economic Committee Report regarding the Installation of additional Beach Huts in Littlehampton, West Sussex.	**Date Completed:**	8th March 2022
Directorate / Division responsible for activity:	**Place / Technical Services**	**Lead Officer:**	Paul Broggi

Existing Activity	☐	**New / Proposed Activity**	☐	**Changing / Updated Activity**	✓

What are the aims / main purposes of the activity?
The installation of 17 new beach huts located upon the shingle to the seafront in Littlehampton adjacent and in between existing beach huts already in place.
What are the main actions and processes involved?
New bases will need to be constructed on site upon which the beach huts can be installed. The beach huts are manufactured off site and delivered to site where they are installed.
Who is intended to benefit & who are the main stakeholders?
On completion the newly installed beach huts will be offered under three year lease to customers that are on the Council's closed waiting list. These customers will all be resident within the Arun district in accordance with the Council's policy.
Have you already consulted on / researched the activity?
The Property & Estates team currently manage the Council's existing beach hut service which possess 242 beach huts, 150 of which are privately owned with the remaining 92 being Council owned and leased.

Impact on people with a protected characteristic (What is the potential impact of the activity? Are the impacts high, medium or low?)		
Protected characteristics / groups	**Is there an impact (Yes / No)**	**If Yes, what is it and identify whether it is positive or negative**

Age (older / younger people, children)	~~**Yes**~~ **/ No**	
Disability (people with physical / sensory impairment or mental disability)	**Yes /** ~~**No**~~	The beach buts are built to a standard size and specification and this is required in order to fit into the existing layout adopted on site. The Council are concerned that the 17 beach huts proposed for installation within this report are unable to accommodate wheelchair use. Being located upon shingle that is subject to regular movement and sea over-wash in the most extreme weather conditions makes this a very challenging aspect of service provision. For these reasons the location of these 17 beach huts is not considered suitable for the installation of wheelchair accessible beach huts. This current proposed scheme is a small project and the Council is looking to install more beach huts in Littlehampton and other areas of the district to meet known service demand. Property & Estates will be working on identifying these locations. Part of this exercise will be looking at the feasibility of siting beach huts in a location where they can be readily and easily accessed via hard standing by wheelchair users. It is felt that an alternative location other than the shingle, but still close to and connected with the beach / sea, would deliver a more suitable and sustainable alternative. Part of this future project will involve the Council requiring suppliers to submit a proportion of their composite beach huts to a design that accommodates wheelchair use. Examples of potential design changes include door width / weight, level access / ramp facilities, adjustable height worktop internally as well as larger space to provide suitable turning circle room. The Council previously worked with a manufacturer to design and produce this new style of hut. Accessible beach huts will clearly need to be a different size / design and so will require a manufacturer to design and gear up for unit production including different composite sheet manufacture. This will require additional work and time to conclude, and for Property & Estates to engage with the market to allow manufacturers time to design a suitable product. It is the Council's intention to submit a report to the Economy Committee within the next 12 months. This report will look to address provision of additional beach huts, a proportion of which will be wheelchair accessible. These huts will need to be in appropriate positions to afford ease of access. The Council will look to consult potential beach hut customers held upon its closed

		waiting list to identify the number requiring accessible facilities to inform the next beach hut installation project.
Gender reassignment (the process of transitioning from one gender to another.)	**~~Yes~~ / No**	
Marriage & civil partnership (Marriage is defined as a 'union between a man and a woman'. Civil partnerships are legally recognized for same-sex couples)	**~~Yes~~ / No**	
Pregnancy & maternity (Pregnancy is the condition of being pregnant & maternity refers to the period after the birth)	**~~Yes~~ / No**	
Race (ethnicity, colour, nationality or national origins & including gypsies, travellers, refugees & asylum seekers)	**~~Yes~~ / No**	
Religion & belief (religious faith or other group with a recognised belief system)	**~~Yes~~ / No**	
Sex (male / female)	**~~Yes~~ / No**	
Sexual orientation (lesbian, gay, bisexual, heterosexual)	**~~Yes~~ / No**	
Whilst **Socio economic** disadvantage that people may face is not a protected characteristic; the potential impact on this group should be also considered	**~~Yes~~ / No**	

What evidence has been used to assess the likely impacts?
There is nothing as far as can be reasonably considered that reacts positively or negatively to the Installation of additional Beach Huts in Littlehampton, West Sussex. In respect of provision of accessible beach huts this is a matter the Council will be considering under further provision once a suitable location is identified affording sound level hard surface access.

Decision following initial assessment			
Continue with existing or introduce new / planned activity	**~~Yes~~ / No**	**Amend activity based on identified actions**	**~~Yes~~ / No**

Action Plan			
Impact identified	**Action required**	**Lead Officer**	**Deadline**
none	none		

Monitoring & Review	
Date of last review or Impact Assessment:	n/a
Date of next 12 month review:	n/a
Date of next 3 year Impact Assessment (from the date of this EIA):	n/a

Date EIA completed:	8th March 2022
Signed by Person Completing:	Paul Broggi – Property, Estates & Facilities Manager

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ECONOMY COMMITTEE ON 29 MARCH 2022

PART A : REPORT

SUBJECT: River Road, Arundel Garage compound site.

REPORT AUTHOR: Paul Broggi – Property, Estates & Facilities Manager
DATE: 11 February 2022
EXTN: 01903 737506
AREA: Technical Services

EXECUTIVE SUMMARY:

This report seeks to set out the options available to the Council and make recommendation on how to proceed in respect of the future use of the Council's freehold site in River Road Arundel

RECOMMENDATIONS:

That Committee:

1 - Approve for the Council to proceed with Option 5 as set out in the Options Viability Appraisal at appendix 1, namely, to demolish existing garages, reconstruct a single four-bedroom dwelling for use as holiday let, managed via hosting company.

2 - Delegates to the Group Head of Technical Services, in consultation with the Chair of the Economy Committee, authority to enter into a hosting agreement with a suitable identified company following procurement in accordance with contract standing orders.

3 - Delegates to the Group Head of Technical Services, in consultation with the Chair of the Economy Committee, authority to commence procurement of construction management, planning services and construction main contractor to deliver the recommended development on site, including entering contracts as required in accordance with contract standing orders.

4 - Approve for the Council to serve notice on the remaining licensees of the existing garages to gain vacant possession of the site.

5 - Recommend to Full Council that a supplementary estimate of £485,625 be included within the capital programme to carry out the demolition and replacement of the garages at River Road, Arundel with a holiday let property (option 5).

6 – Delegates to the Group Head of Technical Services, in consultation with the Chair of the Economy Committee, authority to submit any necessary planning applications for the purpose of achieving recommendation 1 above.

1. BACKGROUND:

1.1. The Council's site in River Road, Arundel currently houses nine concrete panel, cement fibre roofed garages and two external parking spaces. The garages are in very poor condition. Of the nine units two have been taken out of service due to defects. The roofing material used (fibre cement sheeting) contains Asbestos and accordingly repairs to this agreed and fragile roof are not considered practical or safe. Being old the garage size is small and users have difficulty in accessing with a standard modern family saloon. Officers consider the existing garages to be life expired and beyond economical repair. In addition, they are not considered to be up to the modern standard expected of a garage due to their size and design, accordingly they cannot command the premium rental levels that should be attainable in a town such as Arundel.

A report on this matter was previously considered by the Economy Committee on the 12 October 2021 (link included at Appendix 5). The matter was deferred with a request that a report comes back to the Economy Committee so that further options can be added for unspecified residential development, in consultation with the Town Council and Ward Members.

1.2. In bringing this report back in accordance with the Committee's instruction the viability and prices have been revised. This has been necessary as construction, labour and material prices have seen considerable increase and so the viability assessments completed are adjusted to reflect this change. In addition the revised budget allowance has also been included to ensure the provision of the necessary power supply infrastructure so that future installation of electric vehicle charging points can be accommodated. Implementation of parking charges are not included in the viability costings.

1.3. The existing garages are presently let on a simple licence arrangement requiring one months' notice to bring the licence to an end. The current charge for a garage is £85 per calendar month.

1.4. The committee are reminded that the available site in River Road is small in area (412M2 / 0.04 Hectares / 0.101 acres). The site is in the centre of Arundel and is surrounded on three sides by existing residential development with window / openings onto the land. Vacant parking and garages / storage are in short supply in Arundel and therefore this service is in demand. In consulting local estate agents ahead of this exercise, the Council were advised that garage storage was likely to be preferable to open car parking provision. Many houses are small (cottages) with limited space, often with no parking provision. Garage provision would therefore allow alternative storage to vehicles and so would be more flexible and attractive to a prospective tenant, were this the option the Committee wished to pursue.

1.5. The site is located within a densely developed residential area. Recent redevelopment has occurred to the brewery site directly to the north and east of the Council's land. Vacant town centre development land within Arundel is rare and the local economy such that house, therefore land prices, remain high within the town. Officers have completed soft market testing regarding development options for the site and this confirmed that there would be strong interest in the site, were it to be marketed for redevelopment.

This is explored at Option 4 in the Options viability study at appendix 1 providing indicative values.

1.6. The viability studies completed account for risk in that where appropriate they allow for reasonable occupancy rates in relation to projected revenue.

1.7. If the Council proceed with the recommended option (5) then the property and land asset would be retained by the Council. Although it will be held and operated as a holiday let, the capital value of the asset should continue to appreciate in accordance with residential market conditions. This provides the Council with future options / choice in the event the market changes and holiday lettings are no longer considered to provide the Council with best financial return. Market research undertaken by Officers confirms that a modern four bedroom detached dwelling in this location in Arundel would have a current market value circa £1 to £1.1 Million.

1.8. The Council has consulted with Ward Members and the Town Council regarding the site to provide them with opportunity to confirm their respective view on future use of the Arun District Council's freehold site. Responses received are included at Appendix 4 of this report.

1.9. In accordance with Committee instruction residential options were explored at Option 6 and 6a see appendix 2. Option 6a provides a negative return whereas Option 6 provides a positive return.

Options (6 & 6a) have been disregarded as non-viable. For the Council to retain and privately rent property the premises would have to be held by a separate entity, such as a housing company, this is not an option the Council has available to it.

1.10. As part of the report review Property & Estates consulted with Residential Services to explore the possibility of provision of Council Housing on the site. As clarified at item 1.4 above the site is small thus limiting and complicating development possibilities and the attaining of economies of scale with site set up as presented at larger development sites.

As such Residential Services confirmed that "*due to the very restricted nature of the site, potential development / covenant issues and the very limited development size of this site, offering two possibly three units that this is not a site that Housing would currently be interested in pursuing*".

1.11. Property & Estates have obtained legal and financial advice (see section 6 below) in relation to the holding of a single residential dwelling and operation via holiday let accommodation under the Council's General Fund Portfolio.

1.12. The proposal directly supports the Council's emerging vision in respect of fulfilling Arun's economic potential. The vision seeks to encourage the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend. Performance indicators include the number of hotel and new holiday accommodation delivered, and the increase in number of visitors, length of stay and visitor spend.

2. PROPOSAL(S):

That Committee:

1 - Approve for the Council to proceed with Option 5 as set out in the Options Viability Appraisal at appendix 1, namely, to demolish existing garages, reconstruct a single four-bedroom dwelling for use as holiday let, managed via hosting company.

2 - Delegates to the Group Head of Technical Services, in consultation with the Chair of the Economy Committee, authority to enter into a hosting agreement with a suitable identified company following procurement in accordance with contract standing orders.

3 - Delegates to the Group Head of Technical Services, in consultation with the Chair of the Economy Committee, authority to commence procurement of construction management, planning services and construction main contractor to deliver the recommended development on site, including entering contracts as required in accordance with contract standing orders to deliver the completed building.

4 - Approve for the Council to serve notice on the remaining licensees of the existing garages to gain vacant possession of the site.

5 - Recommend to Full Council that a supplementary estimate of £485,625 be included within the capital programme to carry out the demolition and replacement of the garages at River Road, Arundel with a holiday let property (Option 5).

6 – Delegates to the Group Head of Technical Services, in consultation with the Chair of the Economy Committee, authority to submit any necessary planning applications for the purpose of achieving recommendation 1 above.

3. OPTIONS:

A summary of viability options assessed and presented in this report are detailed below. These options are considered in further detail within the Options Viability Appraisal at appendix 1 of this report.

Options originally assessed within the report previously submitted to the Economy Committee in October 2021 are included at appendix 2 for reference, these are listed as Options **1a, 2a, 3a, 5a, 6 & 6a**. Please note that these options have also been amended to reflect construction price increases and further enabling works for electric vehicle charging, where relevant but have all been disregarded in terms of viability.

3.1 Option 1
Demolish existing garages and reconstruct new garages (8 No.) - Lease out garages with increase on current 2021 rental levels

3.2 Option 2
Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces at increased rental level

3.3 Option 3
Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years for £50K).

3.4 Option 4
Freehold disposal of site for development (unconditional terms)

3.5 Option 5
Construct and Manage Holiday Let - 1 No. four bedroom dwelling

4. CONSULTATION:		
Has consultation been undertaken with:	**YES**	**NO**
Relevant Town/Parish Council (see appendix 4)	X	
Relevant District Ward Councillors	X	
Other groups/persons (please specify)	X	
Planning Department		X
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	**YES**	**NO**
Financial	X	
Legal	X	
Human Rights/Equality Impact Assessment	X	
Community Safety including Section 17 of Crime & Disorder Act		X
Sustainability	X	
Asset Management/Property/Land	X	
Technology		X
Other (please explain)		X

6. IMPLICATIONS:

Financial

The recommended option (5 - Construct and Manage Holiday let Accommodation - 1 No. four bedroom dwelling) requires capital investment of £486k. This is not included in the capital programme approved by Council on 23 February 2022. If the proposal is supported, a supplementary capital budget will have to be sought from Full Council.

The Council would be unable to fund the scheme from PWLB borrowing. Under government regulations, a Council may only borrow from the PWLB for service delivery, housing, regeneration, preventative action and treasury management purposes. PWLB borrowing is therefore excluded.

If the Council decided to pursue the option, the recommended funding of the project would be from internal borrowing against the Council's cash balances. The approved capital programme assumes all capital receipts are applied and use of revenue funding is not recommended as the 2022/23 budget includes use of balances of £817k. Further use of revenue balances would place further strain on the Council's revenue budget.

The recommended Option 5 at appendix 1 shows a projected annual lettings income of £110k assuming 60% occupancy. The Council would incur hosting costs of £31k and an annual maintenance cost of £5k. In addition, the Council will be required to make a minimum revenue provision against the internal borrowing and provide for annual maintenance.

The Council's Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 approved on 9 March 2022 includes the Council's Minimum Revenue Provision statement. This provides that the Council will use the Asset Life method for calculation of MRP. An estimated life of 25 years has been assumed in the analysis below. Investing cash balances will also incur a loss of interest on investments. 1% has been assumed.

	£'000
Cost of Proposal	486
Annual income (60% occupancy)	110
Hosting/Commission Fees	(31)
Annual Maintenance/cyclical replacements	(5)
Minimum Revenue Provision	(20)
Loss of interest on investments	(5)
Projected operating surplus	**49**

In conclusion, although the proposal is projected to realise an operating surplus, the Council needs to be certain it is acting legally in pursuing it.

Legal

The Council has various powers which can support this project. The two main powers relevant to this project are set out below.

Section 2 of the Local Authorities (Land) Act 1963 allows the Council for the benefit or improvement of their area, to erect any building and construct or carry out works on land. The only requirement is that it is for the benefit or improvement of their area

Section 1 of the Localism Act 2011 (the general power of competence) gives the Council power to do anything that individuals generally may do. However, where in exercise of the general power, a local authority does things for a commercial purpose, the authority must do them through a company.

Sustainability

In proceeding with Option 5 the Council will look to provide a modern, sustainable property allowing to install carbon reduction renewable technology to meet the Council's Carbon reduction commitments. Energy will also be purchase via the Council's corporate contract ensuring all energy is purchased is from sustainable sources.

Asset Management / Property / Land.

The Property & Estates team will be involved in instructing the design, procurement, and contract management of the recommended option as this project would not be delivered in house due to existing commitments. On completion the asset would be externally managed by a suitable identified hosting company. For this to be successful Property & Estates firmly believe that no element of local council involvement should be apparent in the end project. All necessary relevant and required delegated authorities to provide the route through to delivery are included in the recommendations of this report.

Planning Department.

Property & Estates approached the Planning Department regarding an informal enquiry in relation to the proposed recommendations of this report. Informal advice provided indicates that in principle it is unlikely Planners would have objection to either 1 or 2 dwellings on the site described. Clearly and in order to make more meaningful comments on the proposal planners would need to see how the proposed dwelling(s) were sited in order to see whether there was adequate space for amenity/parking and how the proposal related to adjoining development(s). An estimate of the expected CIL payment was also provided by the Planning Department and this has been included in the options viability appraisal for Option 5 in appendix 1.

7. REASON FOR THE DECISION:

The existing garages are in very poor condition and are considered to be life expired.

Continuing their current use is not a viable option and so a decision must be made on the future use of the Council's freehold land.

Recommended option (5) is a financially viable proposal which directly supports the Council's emerging vision in respect of fulfilling Arun's economic potential. The vision seeks to encourage the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend. Performance indicators include the number of hotel and new holiday accommodation delivered, and the increase in number of visitors, length of stay and visitor spend.

The land and asset will be retained within the General Fund Asset Portfolio thus providing the Council further option(s) in the future.

For the above reasons the recommended decision within this report is considered to be in the best interests of the Council.

8. BACKGROUND PAPERS:

Appendix 1 - Options Viability Appraisal

Appendix 2 – Options Viability appraisal including previously options with updated costs. These options are not taken forward as viable for the purposes of this report. (Options 1a, 2a, 3a, 5a & 6a).

Appendix 3 - Site location plan

Appendix 4 - Town Council and Ward Councillor responses to consultation on use of Council land at River Road, Arundel.

Appendix 5 – October 2021 Economy Committee

Link to minutes of Economy Committee meeting 12th October 2021

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River Road Garages, Arundel, West Sussex.

Option cost / income analysis

Option 1

Demolish existing garages and recontruct new garages (8 No.) - Lease out garages with increase on current 2021 rental levels

Item	cost
Demolish Garages and cart away	£3,510.00
Eerect 8 No new traditional build garages	£156,000.00
Ready prepare electrical infrastructure to allow future EV charging point install to garages.	£12,000.00
Tarmac remaining areas	£16,500.00
External landscaping	£2,600.00
contingency 10%	£19,061.00
Option total	£209,671.00
Minimum Revenue Provision (in accordance with finance recommendations with the report)	£8,386.84
Loss of interest (in accordance with finance recommendations with the report)	£2,096.71
Rent 8 No garages @ £200 pcm excluding vat. Per annum assuming 100% occupancy rate	£19,200.00
Annual surplus assuming 100% occupancy	£10,813.16
Rent 8 No garages @ £200 pcm excluding vat. Per annum assuming 80% occupancy rate	£15,360.00
Annual surplus assuming 80% occupancy	£4,876.45

Maintenance cost to ADC for Garages over 25 year viability period (£1200 pa + 2% annual uplift).	38,436

total surplus over 25 years = income over 25 years, 3% p/a uplift (£560,014.30) less finance / repayment (£262,088.75), less maintenance (£38,436.36) =	£259,489

River Road Garages, Arundel, West Sussex.

Option cost / income analysis

Option 2

Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces at increased level

Item	cost
Demolish Garages and cart away	£3,510.00
Tarmac whole area and line paint to provide 10 no parking spaces.	£18,525.84
Ready prepare electrical infrastructure to allow future EV charging point install to paking spaces.	£12,000.00
External landscaping	£2,600.00
Contingency 10%	£3,663.58
Option total	£40,299.42
Minimum Revenue Provision (in accordance with finance recommendations with the report)	£1,611.98
Loss of interest (in accordance with finance recommendations with the report)	£402.99
Rent 10 parking spaces @ £100 pcm excluding vat. Per annum assuming 100% occupancy rate	£12,000.00
Annual surplus assuming 100% occupancy	£10,388.02
Rent 10 parking spaces @ £100 pcm excluding vat. Per annum assuming 80% occupancy rate	£9,600.00
Annual surplus assuming 80% occupancy	£7,585.03

over 25 year period allow to resurface and repair costs circa £750 p/a + 2 % annual uplift	£24,023

total surplus over 25 years = income over 25 years, 3% p/a uplift (£350,008.94) less finance / repayment (£50,374.25), less maintenance (£24,022.72) =	£275,612

River Road Garages, Arundel, West Sussex.

Option cost / income analysis

Option 3

Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years).

Item	cost
Demolish Garages and cart away	£3,510
Eerect 8 No new traditional build garages	£156,000
Ready prepare electrical infrastructure to allow future EV charging point install to garages.	£12,000
Tarmac remaining site areas	£16,500
External landscaping	£2,600
contingency 10%	£19,061
Option total	£209,671
Minimum Revenue Provision (in accordance with finance recommendations with the report)	£8,386.84
Loss of interest (in accordance with finance recommendations with the report)	£2,096.71
Option 3 - Dispose of garage via leasehold 25 years - 8 garages @ £50,000	£400,000
Disposal fees & legal costs (£1650 x 8)	£13,200
Projected surplus = Capital receipt(£400,000), less Option total (£209,671) less 12 months finance (£10,483.55) less disposal & legal fees (£13,200) =	£166,645

River Road Garages, Arundel, West Sussex.

Option cost / income analysis

Option 5
Demolish existing garages and construct 4 bedroom detached dwelling as managed Holiday let.

Item	cost
Demolish Garages and cart away	£2,700
Planning & Architect fees	£8,000
Construct one 4 bed house	£334,500
Renewable technology installations (ADC Carbon reduction commitment)	£30,000
External works	£10,000
Fit out and furnish house	£15,000
Professional fees	£58,425
CIL payment	£27,000
Cost to deliver premises on site	**£485,625**
Annual income for house (nett) @ 100% occupancy	£183,717
Annual income assuming 60% occupancy rates (nett)	£110,230
Hosting / commision fees 28% (based on 60% occupancy)	£30,864
Annual maintenance /cyclical replacements	£5,000
Nett annual income less costs (assuming 60% occupancy)	£74,366
Nett annual income less costs (assuming 100% occupancy)	£132,788
Minimum Revenue Provision (in accordance with finance recommendations with the report)	£19,425
Loss of interest (in accordance with finance recommendations with the report)	£4,856
Annual surplus assuming 60% occupancy	£50,084
Annual surplus assuming 100% occupancy	£113,363

Maintenance cost dwelling over 25 year viability period (£5000 pa + 2% annual uplift).	£160,152
total surplus over 25 years = income over 25 years, 3% p/a uplift (£4,018,905) less finance / repayment (£607,025), less maintenance (£160,151) less fees (£1,125,293) =	£2,126,435

River Road Arundel - Viability Options Appraisal - Appendix 1

Option 1
Demolish existing garages and recontruct new garages (8 No.) - Lease out garages with increase on current 2021 rental levels
Option 2
Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces at increased level
Option 3
Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years for £50K).
Option 4
Freehold disposal of site for development (unconditional terms) (see note below).
Option 5
Construct and Manage Holiday Let - 1 No 4 bed dwelling

	Option 1	Option 2	Option 3	Option 4	Option 5
Investment Required	£209,671	£40,299	£209,671	£nil	£485,625
Projected first year annual revenue allowing for void periods. (not excluding costs)	£15,360	£9,600	n/a	£nil	£110,230
Projected income over 25 years assuming 3% increase per year allowing for void periods	£560,014	£350,009	n/a	£nil	£4,018,905
Total surplus (over 25 years for option 1,2 & 5 or on disposal for option 3 & 4)	£259,489	£275,612	£166,645	£287,000	£2,126,435
Leasehold / Freehold disposal capital receipt	n/a	n/a	£400,000	£300,000	n/a
Disposal costs & legal fees (to be deducted from capital reciept)	n/a	n/a	£13,200	£13,000	n/a
% yield on Investment (over 25 years or on disposal)	124	684	79	n/a	438

Note: Option 4 is based on an uncondition offer for freehold disposal of the site that the Council received following a soft market testing exercise via local land agent.

Option 1

project cost £209,671.00

Demolish existing garages and recontruct new garages (8 No.) - Lease out garages on increased rental levels

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£15,360	£0	£1,200	£10,484		
1	£15,360	£0	£1,200	£10,484	£3,676	
2	£15,821	£0	£1,224	£10,484	£4,113	£7,790
3	£16,295	£0	£1,248	£10,484	£4,563	£12,353
4	£16,784	£0	£1,273	£10,484	£5,027	£17,380
5	£17,288	£0	£1,299	£10,484	£5,505	£22,886
6	£17,806	£0	£1,325	£10,484	£5,998	£28,884
7	£18,341	£0	£1,351	£10,484	£6,506	£35,389
8	£18,891	£0	£1,378	£10,484	£7,029	£42,418
9	£19,458	£0	£1,406	£10,484	£7,568	£49,986
10	£20,041	£0	£1,434	£10,484	£8,124	£58,110
11	£20,643	£0	£1,463	£10,484	£8,696	£66,806
12	£21,262	£0	£1,492	£10,484	£9,286	£76,092
13	£21,900	£0	£1,522	£10,484	£9,894	£85,987
14	£22,557	£0	£1,552	£10,484	£10,521	£96,508
15	£23,233	£0	£1,583	£10,484	£11,166	£107,674
16	£23,930	£0	£1,615	£10,484	£11,832	£119,506
17	£24,648	£0	£1,647	£10,484	£12,517	£132,023
18	£25,388	£0	£1,680	£10,484	£13,224	£145,247
19	£26,149	£0	£1,714	£10,484	£13,952	£159,199
20	£26,934	£0	£1,748	£10,484	£14,702	£173,901
21	£27,742	£0	£1,783	£10,484	£15,475	£189,376
22	£28,574	£0	£1,819	£10,484	£16,272	£205,648
23	£29,431	£0	£1,855	£10,484	£17,093	£222,741
24	£30,314	£0	£1,892	£10,484	£17,938	£240,679
25	£31,224	£0	£1,930	£10,484	£18,810	£259,489

Sub Total £	560,014.30	0.00	38,436.36	262,088.75	259,489.19	

Option 1a

£209,671.00

Demolish existing garages and recontruct new garages (8 No.) - Lease out garages on current 2021 rental levels

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£6,528					
1	£6,528	£0	£1,200	£10,484	-£5,156	
2	£6,724	£0	£1,224	£10,484	-£4,984	-£10,140
3	£6,926	£0	£1,248	£10,484	-£4,807	-£14,947
4	£7,133	£0	£1,273	£10,484	-£4,624	-£19,571
5	£7,347	£0	£1,299	£10,484	-£4,436	-£24,007
6	£7,568	£0	£1,325	£10,484	-£4,241	-£28,248
7	£7,795	£0	£1,351	£10,484	-£4,041	-£32,289
8	£8,029	£0	£1,378	£10,484	-£3,834	-£36,122
9	£8,269	£0	£1,406	£10,484	-£3,621	-£39,743
10	£8,518	£0	£1,434	£10,484	-£3,401	-£43,143
11	£8,773	£0	£1,463	£10,484	-£3,174	-£46,317
12	£9,036	£0	£1,492	£10,484	-£2,940	-£49,257
13	£9,307	£0	£1,522	£10,484	-£2,699	-£51,955
14	£9,587	£0	£1,552	£10,484	-£2,450	-£54,405
15	£9,874	£0	£1,583	£10,484	-£2,193	-£56,598
16	£10,170	£0	£1,615	£10,484	-£1,929	-£58,527
17	£10,476	£0	£1,647	£10,484	-£1,656	-£60,183
18	£10,790	£0	£1,680	£10,484	-£1,375	-£61,557
19	£11,113	£0	£1,714	£10,484	-£1,084	-£62,642
20	£11,447	£0	£1,748	£10,484	-£785	-£63,427
21	£11,790	£0	£1,783	£10,484	-£477	-£63,904
22	£12,144	£0	£1,819	£10,484	-£159	-£64,063
23	£12,508	£0	£1,855	£10,484	£169	-£63,894
24	£12,884	£0	£1,892	£10,484	£507	-£63,386

25	£13,270	£0	£1,930	£10,484	£856	-£62,530
26	£13,668	£0	£1,969	£0	£11,699	-£50,831
27	£14,078	£0	£2,008	£0	£12,070	-£38,761
28	£14,501	£0	£2,048	£0	£12,452	-£26,308
29	£14,936	£0	£2,089	£0	£12,846	-£13,462
30	£15,384	£0	£2,131	£0	£13,253	-£209
31	£15,845	£0	£2,174	£0	£13,672	£13,462
25 yr sub total	£310,572.31	£0.00	£48,681.70	£262,100.00	-£209.38	
31 yr sub total	£326,417.48	£0.00	£50,855.33	£262,100.00	£13,462.15	

Option 2

project cost £40,299.00

Option 2

Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces at increased rent level

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£9,600					
1	£9,600		£750	£2,015	£6,835	
2	£9,888		£765	£2,015	£7,108	£13,943
3	£10,185		£780	£2,015	£7,389	£21,332
4	£10,490		£796	£2,015	£7,679	£29,012
5	£10,805		£812	£2,015	£7,978	£36,990
6	£11,129		£828	£2,015	£8,286	£45,276
7	£11,463		£845	£2,015	£8,603	£53,879
8	£11,807		£862	£2,015	£8,930	£62,809
9	£12,161		£879	£2,015	£9,267	£72,077
10	£12,526		£896	£2,015	£9,615	£81,691
11	£12,902		£914	£2,015	£9,972	£91,664
12	£13,289		£933	£2,015	£10,341	£102,005
13	£13,687		£951	£2,015	£10,721	£112,726
14	£14,098		£970	£2,015	£11,113	£123,839
15	£14,521		£990	£2,015	£11,516	£135,355
16	£14,956		£1,009	£2,015	£11,932	£147,287
17	£15,405		£1,030	£2,015	£12,361	£159,648
18	£15,867		£1,050	£2,015	£12,802	£172,450
19	£16,343		£1,071	£2,015	£13,257	£185,707
20	£16,834		£1,093	£2,015	£13,726	£199,433
21	£17,339		£1,114	£2,015	£14,209	£213,642

22	£17,859		£1,137	£2,015	£14,707	£228,350
23	£18,395		£1,159	£2,015	£15,220	£243,570
24	£18,946		£1,183	£2,015	£15,749	£259,318
25	£19,515		£1,206	£2,015	£16,294	£275,612
sub total £	£350,008.94	£0.00	£24,022.72	£50,374.25	£275,611.96	

Option 2a

project cost £40,299.00

Option 2a

Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces at 2021 rent level

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£5,280					
1	£5,280		£750	£2,015	£2,515	
2	£5,438		£765	£2,015	£2,658	£5,173
3	£5,602		£780	£2,015	£2,806	£7,980
4	£5,770		£796	£2,015	£2,959	£10,938
5	£5,943		£812	£2,015	£3,116	£14,054
6	£6,121		£828	£2,015	£3,278	£17,332
7	£6,305		£845	£2,015	£3,445	£20,777
8	£6,494		£862	£2,015	£3,617	£24,395
9	£6,689		£879	£2,015	£3,795	£28,189
10	£6,889		£896	£2,015	£3,978	£32,167
11	£7,096		£914	£2,015	£4,167	£36,334
12	£7,309		£933	£2,015	£4,361	£40,695
13	£7,528		£951	£2,015	£4,562	£45,257
14	£7,754		£970	£2,015	£4,769	£50,026
15	£7,986		£990	£2,015	£4,982	£55,008
16	£8,226		£1,009	£2,015	£5,202	£60,209
17	£8,473		£1,030	£2,015	£5,428	£65,638
18	£8,727		£1,050	£2,015	£5,662	£71,300
19	£8,989		£1,071	£2,015	£5,903	£77,202
20	£9,259		£1,093	£2,015	£6,151	£83,353
21	£9,536		£1,114	£2,015	£6,407	£89,760

22	£9,822		£1,137	£2,015	£6,671	£96,431
23	£10,117		£1,159	£2,015	£6,943	£103,373
24	£10,421		£1,183	£2,015	£7,223	£110,596
25	£10,733		£1,206	£2,015	£7,512	£118,108
sub total £	£192,504.92	£0.00	£24,022.72	£50,374.25	£118,107.94	

River Road Garages, Arundel, West Sussex.

Option cost / income analysis

Option 3
Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years).

Item	cost
Demolish Garages and cart away	£3,510
Eerect 8 No new traditional build garages	£156,000
Ready prepare electrical infrastructure to allow future EV charging point install to garages.	£12,000
Tarmac remaining site areas	£16,500
External landscaping	£2,600
contingency 10%	£19,061
Option total	£209,671
Minimum Revenue Provision (in accordance with finance recommendations with the report)	£8,386.84
Loss of interest (in accordance with finance recommendations with the report)	£2,096.71
Option 3 - Dispose of garage via leasehold 25 years - 8 garages @ £50,000	£400,000
Disposal fees & legal costs (£1650 x 8)	£13,200
Projected profit = Capital receipt(£400,000), less Option total (£209,671) less 12 months finance (£10,483.55) less disposal & legal fees	£166,645

River Road Garages, Arundel, West Sussex.

Option cost / income analysis

Option 3a

Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years).

Item	cost
Demolish Garages and cart away	£3,510
Eerect 8 No new traditional build garages	£156,000
Ready prepare electrical infrastructure to allow future EV charging point install to garages.	£12,000
Tarmac remaining site areas	£16,500
External landscaping	£2,600
contingency 10%	£19,061
Option total	£209,671
Minimum Revenue Provision (in accordance with finance recommendations with the report)	£8,386.84
Loss of interest (in accordance with finance recommendations with the report)	£2,096.71
Option 3 - Dispose of garage via leasehold 25 years - 8 garages @ £35,000	£280,000
Disposal fees & legal costs (£1650 x 8)	£13,200
Projected profit = Capital receipt(£280,000), less Option total (£209,671) less 12 months finance (£10,483.55) less disposal & legal fees (£13,200) =	£46,645

Option 4

Straighforward Freehold disposal no information included

Option 5 based on 28% fees

project cost £458,625.00

Option 5

Demolish existing garages and construct 4 bedroom detached dwelling as managed Holiday let.

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£110,230	£30,864	£5,000	£22,931		
1	£110,230	£30,864	£5,000	£22,931	£51,435	
2	£113,537	£31,790	£5,100	£22,931	£53,716	£105,150
3	£116,943	£32,744	£5,202	£22,931	£56,066	£161,216
4	£120,451	£33,726	£5,306	£22,931	£58,488	£219,704
5	£124,065	£34,738	£5,412	£22,931	£60,984	£280,688
6	£127,787	£35,780	£5,520	£22,931	£63,555	£344,243
7	£131,620	£36,854	£5,631	£22,931	£66,205	£410,447
8	£135,569	£37,959	£5,743	£22,931	£68,935	£479,383
9	£139,636	£39,098	£5,858	£22,931	£71,749	£551,131
10	£143,825	£40,271	£5,975	£22,931	£74,648	£625,779
11	£148,140	£41,479	£6,095	£22,931	£77,635	£703,414
12	£152,584	£42,724	£6,217	£22,931	£80,713	£784,126
13	£157,162	£44,005	£6,341	£22,931	£83,884	£868,011
14	£161,876	£45,325	£6,468	£22,931	£87,152	£955,163
15	£166,733	£46,685	£6,597	£22,931	£90,519	£1,045,682
16	£171,735	£48,086	£6,729	£22,931	£93,989	£1,139,671
17	£176,887	£49,528	£6,864	£22,931	£97,564	£1,237,234
18	£182,193	£51,014	£7,001	£22,931	£101,247	£1,338,481
19	£187,659	£52,545	£7,141	£22,931	£105,042	£1,443,524
20	£193,289	£54,121	£7,284	£22,931	£108,953	£1,552,477
21	£199,088	£55,745	£7,430	£22,931	£112,982	£1,665,459
22	£205,060	£57,417	£7,578	£22,931	£117,134	£1,782,593
23	£211,212	£59,139	£7,730	£22,931	£121,412	£1,904,005

24	£217,548	£60,914	£7,884	£22,931	£125,819	£2,029,824
25	£224,075	£62,741	£8,042	£22,931	£130,361	£2,160,185
	£4,018,904.71	£1,125,293.32	£160,151.50	£573,275.00	£2,160,184.89	

Option 5a

project cost based on 28% fees £699,550.00

Option 5a

Demolish existing garages and construct two 2 bedroom cottage dwellinga as managed Holiday lets.

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£75,920	£21,258	£9,800	£34,978		
1	£75,920	£21,258	£9,800	£34,978	£9,885	
2	£78,198	£21,895	£9,996	£34,978	£11,329	£21,214
3	£80,544	£22,552	£10,196	£34,978	£12,818	£34,032
4	£82,960	£23,229	£10,400	£34,978	£14,354	£48,385
5	£85,449	£23,926	£10,608	£34,978	£15,938	£64,323
6	£88,012	£24,643	£10,820	£34,978	£17,571	£81,894
7	£90,652	£25,383	£11,036	£34,978	£19,256	£101,150
8	£93,372	£26,144	£11,257	£34,978	£20,993	£122,143
9	£96,173	£26,928	£11,482	£34,978	£22,785	£144,928
10	£99,058	£27,736	£11,712	£34,978	£24,633	£169,561
11	£102,030	£28,568	£11,946	£34,978	£26,538	£196,099
12	£105,091	£29,425	£12,185	£34,978	£28,503	£224,602
13	£108,244	£30,308	£12,429	£34,978	£30,529	£255,131
14	£111,491	£31,218	£12,677	£34,978	£32,619	£287,750
15	£114,836	£32,154	£12,931	£34,978	£34,773	£322,523
16	£118,281	£33,119	£13,190	£34,978	£36,995	£359,519
17	£121,829	£34,112	£13,453	£34,978	£39,286	£398,805
18	£125,484	£35,136	£13,722	£34,978	£41,649	£440,454
19	£129,249	£36,190	£13,997	£34,978	£44,085	£484,538
20	£133,126	£37,275	£14,277	£34,978	£46,597	£531,135
21	£137,120	£38,394	£14,562	£34,978	£49,187	£580,322
22	£141,234	£39,545	£14,854	£34,978	£51,857	£632,179

23	£145,471	£40,732	£15,151	£34,978	£54,611	£686,789
24	£149,835	£41,954	£15,454	£34,978	£57,450	£744,239
25	£154,330	£43,212	£15,763	£34,978	£60,377	£804,616
Sub total £	£2,767,987.35	£775,036.46	£313,896.94	£874,437.50	£804,616.45	

Option 6

project cost £405,375.00

Option 6

Demolish existing garages and construct one 4 bedroom detached dwelling house and rent on private sector basis

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£24,000	£2,400	£1,750	£20,269		
1	£24,000	£2,400	£1,750	£20,269	-£419	
2	£24,720	£2,472	£1,785	£20,269	£194	-£225
3	£25,462	£2,546	£1,821	£20,269	£826	£601
4	£26,225	£2,623	£1,857	£20,269	£1,477	£2,079
5	£27,012	£2,701	£1,894	£20,269	£2,148	£4,227
6	£27,823	£2,782	£1,932	£20,269	£2,839	£7,066
7	£28,657	£2,866	£1,971	£20,269	£3,552	£10,618
8	£29,517	£2,952	£2,010	£20,269	£4,286	£14,904
9	£30,402	£3,040	£2,050	£20,269	£5,043	£19,947
10	£31,315	£3,131	£2,091	£20,269	£5,823	£25,770
11	£32,254	£3,225	£2,133	£20,269	£6,627	£32,397
12	£33,222	£3,322	£2,176	£20,269	£7,455	£39,852
13	£34,218	£3,422	£2,219	£20,269	£8,308	£48,160
14	£35,245	£3,524	£2,264	£20,269	£9,188	£57,348
15	£36,302	£3,630	£2,309	£20,269	£10,094	£67,442
16	£37,391	£3,739	£2,355	£20,269	£11,028	£78,470
17	£38,513	£3,851	£2,402	£20,269	£11,991	£90,460
18	£39,668	£3,967	£2,450	£20,269	£12,982	£103,443
19	£40,858	£4,086	£2,499	£20,269	£14,004	£117,447
20	£42,084	£4,208	£2,549	£20,269	£15,058	£132,505
21	£43,347	£4,335	£2,600	£20,269	£16,143	£148,648
22	£44,647	£4,465	£2,652	£20,269	£17,261	£165,909

23	£45,986	£4,599	£2,705	£20,269	£18,414	£184,322
24	£47,366	£4,737	£2,760	£20,269	£19,601	£203,923
25	£48,787	£4,879	£2,815	£20,269	£20,825	£224,748
sub total £	£875,022.34	£87,502.23	£56,053.02	£506,718.75	£224,748.33	

Option 6a

project cost £624,450.00

Option 6a

Demolish existing garages and construct two 2 bedroom cottage dwelling houses and rent on private sector basis

	Income	fees	maintenance cost	Finance / repayment	Balance	Cumulative total
base line	£24,000	£2,400	£3,500	£31,223		
1	£24,000	£2,400	£3,500	£31,223	-£13,123	
2	£24,720	£2,472	£3,570	£31,223	-£12,545	-£25,667
3	£25,462	£2,546	£3,641	£31,223	-£11,948	-£37,615
4	£26,225	£2,623	£3,714	£31,223	-£11,334	-£48,949
5	£27,012	£2,701	£3,789	£31,223	-£10,700	-£59,649
6	£27,823	£2,782	£3,864	£31,223	-£10,046	-£69,696
7	£28,657	£2,866	£3,942	£31,223	-£9,373	-£79,068
8	£29,517	£2,952	£4,020	£31,223	-£8,678	-£87,746
9	£30,402	£3,040	£4,101	£31,223	-£7,961	-£95,707
10	£31,315	£3,131	£4,183	£31,223	-£7,222	-£102,929
11	£32,254	£3,225	£4,266	£31,223	-£6,460	-£109,390
12	£33,222	£3,322	£4,352	£31,223	-£5,675	-£115,064
13	£34,218	£3,422	£4,439	£31,223	-£4,865	-£119,929
14	£35,245	£3,524	£4,528	£31,223	-£4,030	-£123,959
15	£36,302	£3,630	£4,618	£31,223	-£3,169	-£127,128
16	£37,391	£3,739	£4,711	£31,223	-£2,281	-£129,409
17	£38,513	£3,851	£4,805	£31,223	-£1,366	-£130,774
18	£39,668	£3,967	£4,901	£31,223	-£422	-£131,196
19	£40,858	£4,086	£4,999	£31,223	£551	-£130,645
20	£42,084	£4,208	£5,099	£31,223	£1,554	-£129,091
21	£43,347	£4,335	£5,201	£31,223	£2,589	-£126,502
22	£44,647	£4,465	£5,305	£31,223	£3,655	-£122,847

23	£45,986	£4,599	£5,411	£31,223	£4,754	-£118,093
24	£47,366	£4,737	£5,519	£31,223	£5,888	-£112,205
25	£48,787	£4,879	£5,630	£31,223	£7,056	-£105,148
26	£50,251	£5,025	£5,742		£39,483	-£65,665
27	£51,758	£5,176	£5,857		£40,725	-£24,940
28	£53,311	£5,331	£5,974		£42,006	£17,066
Yr 25 sub total £	£875,022.34	£87,502.23	£112,106.05	£780,562.50	£17,066.19	

Appendix 2 - River Road Arundel - Viability Options financials.

Option 1
Demolish existing garages and recontruct new garages (8 No.) - Lease out garages on increased rental levels
Option 1a
Demolish existing garages and recontruct new garages (8 No.) - Lease out garages maintain current 2021 rental levels
Option 2
Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces at increased rent level
Option 2a
Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces maintain current 2021 rental levels
Option 3
Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years for £50K).
Option 3a
Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years for 35K).
Option 4
Freehold disposal of site for development (unconditional terms)
Option 5
Construct and Manage Holiday Let - 1 No 4 bed dwelling
Option 5 a
Construct and Manage Holiday Let - two No 2 bed cottages
Option 6
Demolish existing garages and construct one 4 bedroom detached dwelling house and rent on private sector basis
Option 6a
Demolish existing garages and construct two 2 bedroom cottage dwelling houses and rent on private sector basis

Option 1, 2 , 3, & 4	**Options taken forward to main body of report**
Option 1a, 2a, 3a, 5a,6 & 6a	**Previous options presented (updated) but disregarded in the report.**
Option 5	**Option recommended for acceptance in main report.**

	Option 1	Option 1a	Option 2	Option 2a	Option 3	Option 3a	Option 4	Option 5	Option 5a	Option 6	Option 6a
Investment Required	£209,671	£209,671	£40,299	£40,299	£209,671	£209,761	£nil	£458,625	£699,550	£405,375	£624,450
Projected first year annual revenue allowing for void periods. (not excluding costs)	£15,360	£6,528	£9,600	£5,280	n/a	n/a	£nil	£110,230	£75,920	£24,000	£24,000
Projected income over 25 years assuming 3% increase per year allowing for void periods	£560,014	£238,006	£350,009	£192,505	n/a	n/a	£nil	£4,018,905	£2,767,987	£875,022	£875,022
Total profit (over 25 years for option 1,1a,2,2a,5,5a,6 &6a or on disposal for option 3,3a & 4)	£259,489	-£62,530	£275,612	£118,108	£166,645	£46,645	£287,000	£2,160,186	£804,616	£224,748	£17,066
Leasehold / Freehold disposal capital	n/a	n/a	n/a	n/a	£400,000	£280,000	£300,000	n/a	n/a	n/a	n/a
Disposal costs & legal fees (to be deducted from capital reciept)	n/a		n/a	n/a	£13,200	£13,200	£13,000	n/a	n/a	n/a	n/a
% yield on Investment (over 25 years or on disposal)	124		684	293	79	22	n/a	471	115	55	3

Note: Option 4 is based on an uncondition offer for freehold disposal of the site that the Council received following a soft

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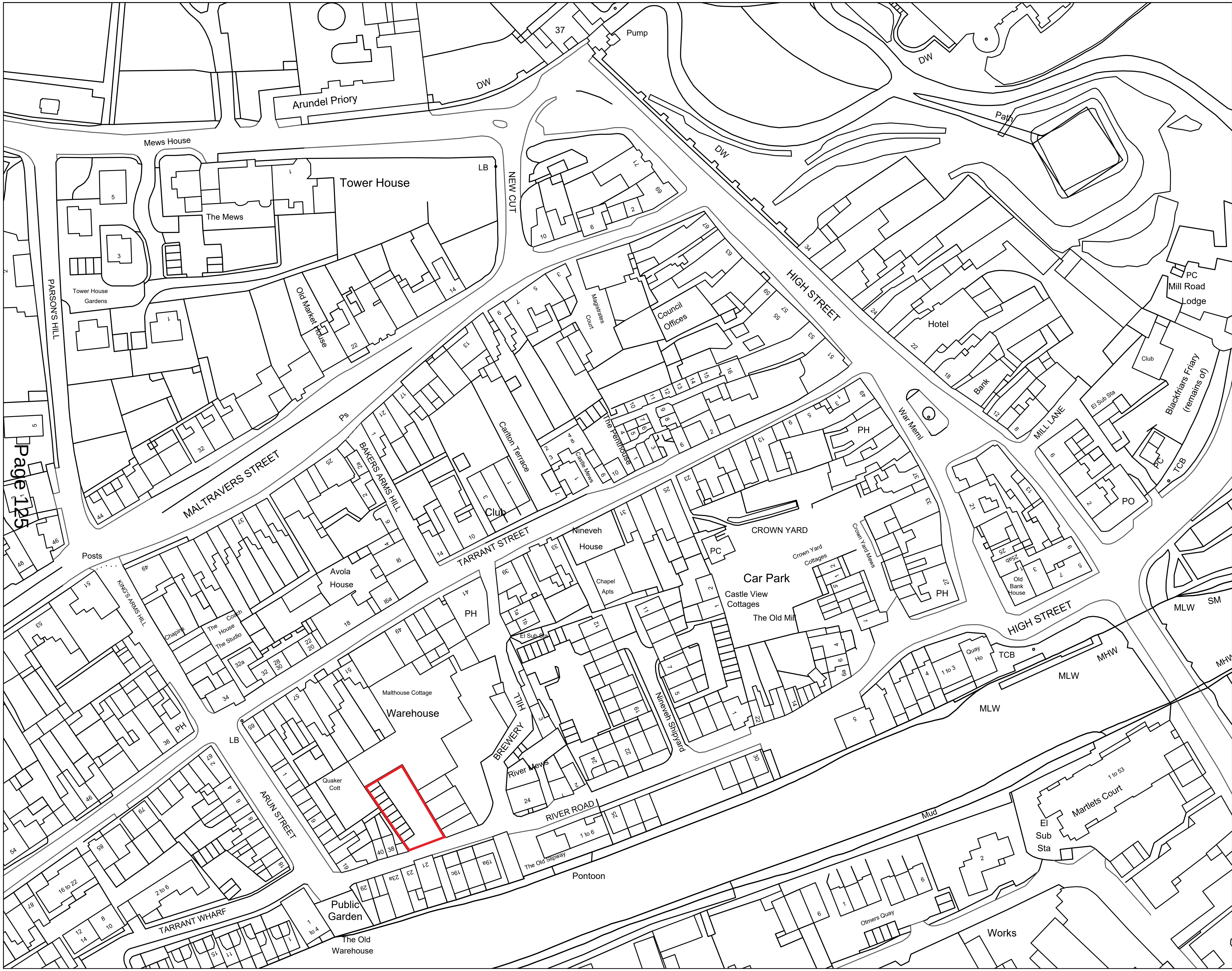

ARUN DISTRICT COUNCIL

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JOB TITLE:
River Road Garages
River Road
Arundel

DRAWING TITLE:
Location Plan

SCALE:	1:1250 @ A3	
PROPERTY:	LM 3019	
DRG. No.:	001	REV.: -
DRAWN BY:	SH	
TRACED BY:		
CHECKED BY:		
DATE:	September 2021	

Sam Horwill
Snr Estates Surveyor
Arun District Council
Arun Civic Centre
Maltravers Road
LITTLEHAMPTON
West Sussex
BN17 5LF

Arundel Town Council
Town Hall
Maltravers Street
Arundel
BN18 9AP

23rd December 2021

Mr Nathaniel Slade
Group Head of Technical Services
Arun District Council

Dear Nathaniel,

RE: River Road Garages

Since I wrote to you on the subject of the River Road garages we have been approached by River Road residents, some of whom asked public questions at our December Council Meeting.

We undertook to share their views with the Arun District Council Economy Committee, and our Council supports the views which they have expressed.

1. River Road residents believe that the section of River Road between Brewery Hill and Arun Street is dangerous , since it is narrow, used by two-way traffic and has very little pavement. One factor which helps to avoid accidents there is that it is mainly used by local people who are familiar with it although unfortunately it has been increasingly used by delivery drivers during the pandemic. Attracting visitors to this part of River Road-e.g. through either developing tourist lettings or allowing visitor parking on the site would increase this danger.
2. For similar reasons increasing the number of residential properties in River Road would be undesirable-it would reduce parking space available.
3. For this reason River Road residents would like to see the garage space continue to be used for car parking, either in rebuilt garages or in open space, provided these garages or spaces were leased on a long-term basis-i.e. there should not be any short-term parking facilities on the site. It was noted that open space parking would take more cars off the roads in the conservation area where parking is increasingly difficult for all residents.
4. River Road residents asked that they should be consulted in the designs for the new parking facilities because they believe that they have insights into the challenges presented by this end of River Road which could be helpful to ADC in making the use of the space as safe as possible.

Kind Regards,

CBaynes

Carolyn Baynes
Town Clerk

Arundel Town Hall
Maltravers Street, Arundel
West Sussex BN18 9AP

T 01903 882954
E townclerk@arundeltowncouncil.gov.uk
www.arundeltowncouncil.gov.uk

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Carley Lavender

From:	Town Clerk <TownClerk@arundeltowncouncil.gov.uk>
Sent:	19 November 2021 13:26
To:	Nat Slade
Subject:	RE: Consultation on future options for lock up garage site on River Road, Arundel

CAUTION: This email originated from outside of the organisation. You should take extra care when clicking links or opening attachments - if you are unsure the content is safe contact the IT Helpdesk before clicking or opening.

Dear Nathan,

Please find below Arundel Town Councils response on the Consultation on future options for lock up garage site on River Road, Arundel.

Full Council Meeting - 11th November 2021

T2762	(a) River Road Garages
	Following a proposal from the Town Clerk and Mayor and a discussion between Councillors, the Council **RESOLVED** to respond to an enquiry from Arun District Council by recommending that the space currently occupied by the River Road garages be retained as garages or turned into parking spaces and not used for residential or holiday accommodation.

Kind regards,

Carolyn,

Carolyn Baynes
Town Clerk
Arundel Town Hall
Maltravers Street, Arundel
West Sussex BN18 9AP
T 01903 881567
E townclerk@arundeltowncouncil.gov.uk
Office hours: 9am-1pm daily

From: Nat Slade <Nat.Slade@arun.gov.uk>
Sent: 22 October 2021 14:57
To: Town Clerk <TownClerk@arundeltowncouncil.gov.uk>
Subject: Consultation on future options for lock up garage site on River Road, Arundel

Dear Sir/Madam,

A report was presented to Arun District Council's Economic Committee last week with six options for the future of the lock-up garage site the Council owns on River Road in Arundel. (Item 7 on the linked agenda).

The current nine lock up garages are end of life, with two already having been taken out of use due to condition.

The recommended option was to demolish and rebuild 8 wider garages, more suited to modern cars.

Committee considered the options and asked that a further option be added, the details and viability of which will be worked up in more detail over the coming weeks. The further option is that Arun itself develop some form of residential/holiday letting development on the site to either retain or sell.

Committee Members were also keen to hear the views of the Town Council.

To that end, I would welcome your comments on all the options by 21st November.

If you have any queries in the meantime, please feel free to contact me.

Kind regards,

Nat

Nathaniel Slade
Group Head of Technical Services

T: 01903 737683
E: nat.slade@arun.gov.uk

Arun District Council, Civic Centre, Maltravers Rd, Littlehampton, West Sussex, BN17 5LF
www.arun.gov.uk

Nathaniel Slade
Group Head of Technical Services

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Carley Lavender

From: Cllr. Paul Dendle
Sent: 28 October 2021 15:26
To: Nat Slade
Cc: Cllr. Shaun Gunner
Subject: Re: Lock up garages on River Road, Arundel

Follow Up Flag: Follow up
Flag Status: Completed

Hi Nat
I think this site should be used for redevelopment and sold off for a capital gain to the council, maybe with a percentage of social housing.

Any existing garage owners should be offered garages elsewhere if possible or this is not available at the moment maybe a temporary permit to one of the public carparks.

I hope that helps
Best Paul

From: Nat Slade <Nat.Slade@arun.gov.uk>
Sent: Wednesday, October 20, 2021 5:30:08 PM
Subject: Lock up garages on River Road, Arundel

Dear Ward Member,

A report was presented to the Economic Committee last week with six options for the future of the lock-up garage site the Council owns on River Road in Arundel. (Item 7)

The current nine lock up garages are life expired (two have already been taken out of use due to condition).

The recommended option was to demolish and rebuild 8 wider garages, more suited to modern cars.

Committee considered the options and asked that a further option be added to this list, the details and viability of which will be worked up in more detail over the coming weeks. The further option is that the Council itself develop some form of residential/holiday letting development on the site to either retain or sell.

Committee Members were also keen to hear the views of Ward Members and the Town Council.

To that end, I would welcome your comments on all the options by 21st November. In the next couple of days I will be contacting Arundel Town Council with the same request for comments.

If you have any queries in the meantime, please feel free to contact me.

Kind regards,

Nat

Nathaniel Slade
Group Head of Technical Services

T: 01903 737683
E: **nat.slade@arun.gov.uk**

Arun District Council, Civic Centre, Maltravers Rd, Littlehampton, West Sussex, BN17 5LF
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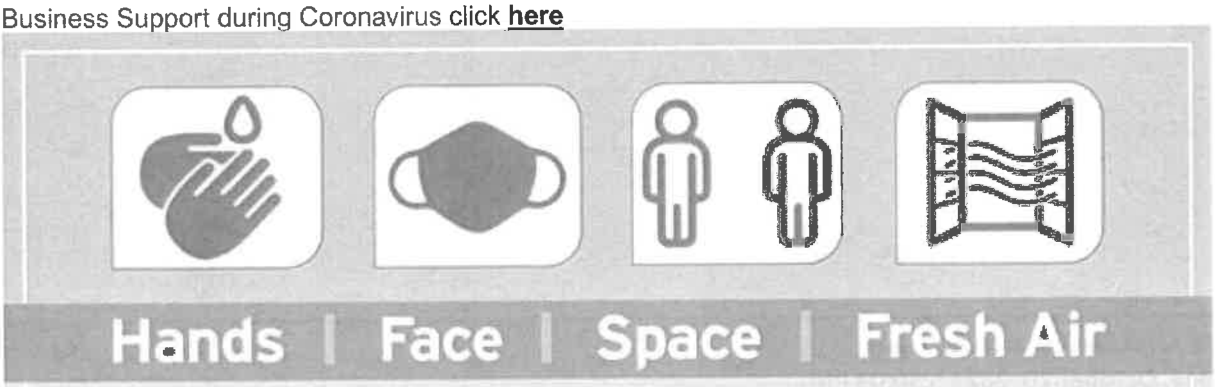

Economy Committee Karl Roberts, Nat Slade and Denise Vine	Report Author	Send to Gemma for CMT by 2pm Thurs	CMT Tues	Draft Reports to Committees	Agenda Prep Meeting	Final Reports to Committees	Agenda Publish Date	Date of Meeting	Full Council Meeting Date
Sussex Visitor Economy Vision & Actions – 10 Year Plan Windmill Roof Fitzleet Multi Storey Car Park Review Promotion Agreement in relation to Council land at Meadview Nursery, Lyminster, Littlehampton Bognor Regis Arcade Fitzleet MSCP Resurfacing Property Investment Strategy Ferring Car Park Review Fort Road Additional Beach Huts WC Refurbishments	D Vine P Broggi P Broggi P Broggi P Broggi P Broggi P Broggi P Broggi P Broggi P Broggi P Broggi							**TBC** **TBC** **TBC** **TBC** **TBC** **TBC** **TBC** **TBC** **TBC** **TBC** **TBC** **TBC** **TBC**	

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