

ARUN DISTRICT COUNCIL

REPORT TO HOUSING & WELLBEING COMMITTEE ON 17 MARCH 2022

PART A: REPORT

SUBJECT:	Development of New Council Housing – Canada Road & Ellis Close, Arundel and Westloats Lane, Bognor
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REPORT AUTHOR:	Gillian Taylor , Interim Development Manager Arjan de Jong , Interim Strategy & Enabling Manager
DATE:	3 February 2022
EXTN:	37764
PORTFOLIO AREA:	Residential Services

EXECUTIVE SUMMARY:

Following the adoption of the Housing Revenue Account Business Plan (HRA) in July 2017, a programme to develop or acquire up to 250 new affordable homes over a ten-year period was agreed. Since 2017 to date, 81 new homes have been added to the HRA portfolio, with an additional 40 homes due to be completed within the next 10 months. This report seeks authority to develop a further 12 new homes on HRA land.

RECOMMENDATIONS:

Housing & Wellbeing Committee is recommended to approve:

- Development of 12 new homes on existing Housing Revenue Account land at Canada Road, Arundel, Ellis Close, Arundel and Westloats Lane, Bognor Regis and approve the budget of £4.0m for the Development.
- The award of the Pre-Construction Services Agreement contract to Beard Construction for £301,609 (inclusive of VAT).
- Delegate to the Director Services authority to award the main construction contract following a satisfactory review of costs for an amount within the approved budget.

1.0 BACKGROUND

- 1.1 Following the adoption of the HRA Business Plan in July 2017, a programme to develop or acquire up to 250 (subsequently increased to 350 in 2019) new affordable homes over a ten-year period was agreed.
- 1.2 This is the first scheme to be brought forward since the implementation of the Committee system. Since 2017, 81 new affordable homes have been successfully developed/acquired and added to the Council's housing stock via the HRA and a further 40 new homes due for completion over the next 10 months. Please see Appendix 1.
- 1.3 The Council now intends to develop 12 more affordable homes on three separate sites within the ownership of the Housing Revenue Account as detailed below and set out in Appendix 2.
- 1.4 **Canada Road and Ellis Close, Arundel and Westloats Lane, Bognor Regis**
 - 1.4.1 The proposed redevelopment on sites at Canada Road (an existing terrace of 4 disused 1 bed sheltered homes) and Ellis Close (on a disused garage site) will provide 8no. 2 bedroom/4 person houses – all new build.
 - 1.4.2 The proposed development on Westloats Lane will be built on currently disused land to provide 4 no. 2 bedroom/4-person new build apartments.
 - 1.4.3 Residential Services have procured the contractor, Beard Construction. This was via the Hampshire County Council Intermediate Construction Framework; the mechanism approved to obtain competitive prices for building on Council owned land.
 - 1.4.4 The costs associated with the scheme comprise two integral elements the Pre-Construction Services Agreement (PCSA) and the main build contract. The PCSA minimises the risk to Arun by limiting the costs to the actual works that Beard complete in the event that planning permission is not obtained. These works are mostly investigations, surveys as required (as part of any planning pre-start condition) and the submission of planning applications for all 3 sites. An open book approach to both material and labour has been agreed to enable clarity on obtaining Value for Money on these projects.
 - 1.4.5 The intention is that planning permission be obtained in March and April 2022 for Canada Rd and Ellis Close with Westloats to follow, shortly thereafter. At this point a fixed contract price will be provided by Beard Construction. The intention is to enter into Design and Build contract with Beard to build the 12 rented homes at this stage, subject to a review of all the costs by our Employers Agent and their confirmation the contract price represents value for money.

1.4.6 The main demand from the housing waiting list is for 2-bedroom properties and this development opportunity will provide twelve of these including 8no. 2-bedroom houses. The properties will be let at approximately 90% of the Local Housing Allowance rate and we anticipate the cost for the 12 homes to be up to £4m based on current estimates from Beard Construction with start on site autumn 2022 and completion autumn 2023. This figure is inclusive of contingency to cover abnormal costs which may arise, such as ground conditions, necessity to move services, increase in cost of materials and labour.

Scheme design will have an emphasis on providing homes that minimise carbon emissions, are energy efficient and affordable for prospective tenants.

1.5 Scheme Appraisal & Valuation

1.5.1 The scheme appraisal has been based on an independent open market valuation which takes into account the area, accommodation and current market values.

1.6 Rent Comparison Table

1.6.1 It is proposed to let the units at a weekly rent of £168.90 – Equivalent to 90% of Local Housing Allowance. LHA being the amount of rent set at the lower 30th percentile of rents in the rent assessment area and is the level of rent that is eligible for housing benefit. The rent figures for Westloats are inclusive of a service charge as these are apartments with communal cleaning, grounds maintenance and communal lighting required.

1.7 Financial Viability

1.7.1 The scheme for 12 new homes has been appraised using the SDS Proval software. Based on the income from rents the scheme will repay the borrowing requirement over 41 years and will generate a positive net present value by year 55.

Item	
Main Works Contract (including contractor contingency)	£3,234,651
Pre-Contract Service Agreement (PCSA) including contingency	£251,341
Fees and on-costs	£53,870
Total Scheme Costs	£3,539,862
Rent PA, net of voids and allowances	£92,034
Borrowing Cost Interest PA Yr 1	£26,969
Surplus Year 1	£56,089
Payback Assuming surpluses used to repay borrowing	41
NPV Rental income minus loan payments over 55 years	£176,500

2.0 PROPOSAL(S):		
2.1	It is proposed the estimated £4m budget to develop 12 new self-contained homes for use as general needs housing in the HRA be approved. This will enable the Council to replace some of the homes sold through the Right to Buy and help provide affordable rented accommodation for households in housing need on the Councils housing register and in emergency and temporary accommodation.	
2.2	The scheme is expected to start on site autumn and will be ready for occupation by autumn 2023.	
3.0 OPTIONS:		
3.1	To approve the proposal as set out.	
3.2	Not to approve the proposal. However, this will neither replace council housing being sold under the RTB nor enable the affordable homes to be provided. It will also leave the sites in their current condition. There are already reports of both vandalism and anti-social behaviour. This will result in ongoing costs to maintain the sites. It will be necessary to demolish the existing bungalows units at Canada Road.	
3.3	Sell the sites without planning permission: Any purchaser would have to incur costs in both time and money. This, together with the risk of not obtaining planning approval, would significantly affect the receipt from a sale. Best Value for Money is unlikely to result, and, because of the small footprint of the sites, provision of affordable housing thresholds would not be reached resulting in no affordable housing would be delivered.	
3.4	Obtain planning permission and sell on the open market: This would require significant outlay but would generate a capital receipt. The opportunity to provide affordable housing (twelve 2/bed houses) on council owned land would, however, be lost and using the receipt to buy land and provide elsewhere is unlikely to be economically advantageous.	
4.0 CONSULTATION:		
	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify) Members of the Housing and Customer Services Working Group		✓

5.0 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		✓
Safeguarding		✓

<p>6.0 IMPLICATIONS:</p> <p>6.1 Financial: See Financial Viability above. If approved, the scheme will be funded from existing capital budgets set aside for the development and refurbishment of new and existing homes. If the scheme is not approved there will be abortive costs of circa 116k for the site surveys and investigations that were conducted as due diligence for consideration of the development of the sites.</p> <p>6.2 Legal: The PCSA was prepared by Hampshire County Council legal team and is in effect its own contract.</p> <p>6.3 Sustainability: Final specification to be agreed with an emphasis on providing energy efficient housing that is affordable for prospective residents.</p> <p>6.4 Asset Management: Each of these sites are presently unused, require maintenance and are unattractive. The proposed redevelopment will enhance the neighbourhood whilst providing new energy efficient houses to meet current housing need.</p>
<p>7.0 REASON FOR THE DECISION:</p> <p>7.1 To meet housing need in the District and contribute to the Council's strategic target of building/acquiring 350 new homes over a 10-year period.</p>
<p>8.0 BACKGROUND PAPERS:</p> <p>8.1 Appendix 1 – List of properties delivered and immediate pipeline</p> <p>8.2 Appendix 2 – Canada Road Map</p> <p>8.3 Appendix 3 – Ellis Close Map</p> <p>8.4 Appendix 4 – Westloats Lane Map</p>

Appendix 1

Site	No of Homes	Mix	Completion Dates	Green Technology
Chesham Place & Blossom Way, Barnham	9	6 x 2 Bedroom Houses 3 x 3 Bedroom Houses	Aug-17	Air Source Heat Pumps
Church View, Glenlogie, Bognor Regis	2	2 x 4 Bedroom Houses	Aug-17	
Wick	24	20 x 2 Bedroom Houses 4 x 1 Bedroom Apartments	Jun-18	
Starling House, Littlehampton	10	2 x 1 Bedroom Apartments 8 x 2 Bedroom Apartments	Apr-20	
Longford Road, Bognor Regis	2	1 x 1 Bedroom Apartment 1 x 2 Bedroom Apartment	Jun-20	
Windroos Nursery, Littlehampton	14	14 x 2 Bedroom Houses	Nov-20	
Quite Waters, Angmering	8	6 x 2 Bedroom Apartments 2 x 1 Bedroom Apartments	Mar-21	Electric Vehicle Charging Points
38 Arundel Road, Littlehampton	2	2 x 2 Bedroom Apartments	Aug-21	
Cinders Nursery, Yapton, Phase 1	10	4 x 1 Bedroom Apartments 4 x 2 Bedroom Apartments 2 x 2 Bedroom Houses	Feb-22	Air Source Heat Pumps & Electric Vehicle Charging Points
Cinders Nursery, Yapton, Phase 2	5	2 x 1 Bedroom Apartments 3 x 2 Bedroom Apartments	Expected Jul-22	Air Source Heat Pumps & Electric Vehicle Charging Points
Chichester Road,	8	2 x 1 Bedroom Apartments 6 x 2 Bedroom Apartments	Expected Jul-22	Electric Vehicle Charging Points

Site	No of Homes	Mix	Completion Dates	Green Technology
Summer Lane, Pagham	27	25 x 2 Bedroom Houses 2 x 3 Bedroom Houses	Expected Dec-22	
Total	121			