

Arun District Council

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| REPORT TO: | Special Economy Committee – 20 November 2023 |
| SUBJECT: | Review and update of the ongoing River Road Garage Site project. |
| LEAD OFFICER: | Sam Horwill – Property, Estates, and Facilities Manager |
| LEAD MEMBER: | Councillor Roger Nash, Chair of the Economy Committee |
| WARDS: | Arundel and Walberton |
| CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: Delivery of a three- or four-bedroom dwelling for use as a holiday let at the River Road Garage Site in Arundel will support the Council's Vision in respect of fulfilling Arun's economic potential. Encouraging the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend. | |
| DIRECTORATE POLICY CONTEXT: This report is produced by the Property, Estates, and Facilities Manager to give an update on the position associated with the budgeted Capital works. The project was originally approved to proceed by resolution of the Economy Committee at minute 786 in March 2022. | |
| FINANCIAL SUMMARY: There are no additional financial implications arising from the recommendations of this report. | |

1. PURPOSE OF REPORT

- 1.1. To provide the Economy Committee with an update of the ongoing project to deliver a four-bedroom dwelling for use as a holiday let at the River Road Garage Site in Arundel.

2. RECOMMENDATIONS

The Committee are recommended to agree:

- 2.1 That the project should not proceed in its current form; and
- 2.2 A further report be put before members reconsidering the options for the future of the River Road Garages site in Arundel, the Corporate Work Programme will be updated to show its expected presentation date in 2024.

3. EXECUTIVE SUMMARY

- 3.1. To provide the Economy Committee with an update of the ongoing project to deliver a four-bedroom dwelling for use as a holiday let at the River Road Garage Site in Arundel.

4. DETAIL

- 4.1. Officers have been asked to report to the Economy Committee with an update on the ongoing project to deliver a four-bedroom dwelling for use as a holiday let at the River Road Garage Site in Arundel. This report provides that update and follows from the River Road Garage Site report which was considered by the Economy Committee in March of 2022.
- 4.2. Since March 2022, Officers have been working to deliver this project in accordance with the resolution at minute 786 of that meeting. A consultant has been engaged and has prepared an architectural design for the scheme, which was submitted for pre-application planning advice in March 2023.
- 4.3. Expenditure thus far (in addition to Officer time) is limited to the consultant's fee which currently stands at £8,200.00. This is against a Purchase Order of £11,300.00 which covers consultancy services up to and including submission of a Building Regulation application.
- 4.4. Aside from the Purchase Order for design consultancy services, there are no ongoing contractual commitments at this stage.
- 4.5. Formal response to the pre-application planning submission was received in September 2023. In summary the advice sets out that development is permissible in principle, but that the form of the design submitted is not in keeping with the character of the area and would likely be refused if not amended. The necessary amendments will likely result in the loss of one bedroom, and so the details of this update report and financial analysis have been adjusted on the basis of a three-bedroom property.
- 4.6. The Councils consultant has considered the pre-application advice and is confident that the scheme design can be amended to comply with it in substance. A fee proposal of £2,750.00 has been received for revision of the design, revising the independent report on Passivhaus standards compliance, and a further pre-application advice submission. If instructed, the Councils consultant anticipates that this work could be completed in the region of 6 weeks, subject to the capacity of independent Passivhaus consultants.
- 4.7. Assuming that planning approval is achieved, detailed design, construction procurement, etc. will be carried out in accordance with the prior resolution of this committee. At an appropriate time, Officers will also serve notice on any remaining garage tenants so that the Council has vacant possession of the site to enable the works.

4.8. In preparing this update report Officers have reviewed and updated the cost/income analysis and the project cost analysis. This has been necessary as construction, labour and material prices have seen considerable increase since March 2022 when Committee last considered the project. A summary table is provided here, and full revised Cost/Income Analysis and Project Cost Analysis are appended to this report.

| | March 2022 £'000 Year 1 | October 2023 £'000 Year 1 |
|--|----------------------------|------------------------------|
| Cost of Proposal | 486 | 545 |
| Annual income (60% occupancy) | 110 | 57 |
| Hosting/Commission Fees | (31) | (16) |
| Annual Maintenance/cyclical replacements | (5) | (6) |
| Minimum Revenue Provision | (20) | (25) |
| Loss of interest on investments | (5) | (25) |
| Projected operating surplus/loss Year 1 | 49 | (14) |

4.9. When reviewing the cost/income analysis Officers have also revisited the market evidence in respect of expected occupancy levels and charges per night. Nightly rates of existing three and four-bedroom holiday lets within Arundel have been assessed across peak and low seasons, and averages then input into the cost/income analysis. Following receipt of the pre-application advice, the property layout is likely to be revised to a three-bedroom format, and so the analysis has been adjusted to reflect this.

4.10. Expected occupancy rates have been sought direct from a local AirBnB representative, but unfortunately the response from the operator did not give any definitive advice. Review of the financial analysis has retained the assumed 60% occupancy, although anecdotal evidence has suggested that this may be optimistic.

4.11. The revised cost/income analysis takes account of known fixed price estimates for consultancy, uplifts in construction costs in accordance with the ONS Construction Output Price Index, and updated market evidence for three bed holiday lettings in Arundel. It can be seen that over the 25-year viability period, the property is estimated to generate a return of £88k against the estimated project delivery costs of £545k. This is £2m less than stated in the report to committee in March 2022. The project does not pay back or have a positive NPV (Net Present Value, which takes into account the time value of money) during the 25-year viability period.

4.12. Additionally, the Council will retain the future option of disposal of the developed asset. The capital value of the asset can be expected to continue appreciating in accordance with residential market conditions. Market research has been reviewed by Officers and three separate estate agents have provided data indicating that a new build three-bedroom property at this location would be expected to sell at £530 per square foot (£5,705 per square meter). The existing layout stands at 142m² and so a sale price of £810,000 is estimated, although this is likely to change if the layout is amended in accordance with the pre-planning advice.

- 4.13. In carrying out this review, an increase in estimated project costs has been identified. There is therefore an estimated budgetary shortfall of around £58,750 at the current time. If a suitable planning consent is achieved then a further financial review will be carried out and reported to committee, with a request for any necessary additional supplementary estimates to allow the project to proceed.

5. CONSULTATION

- 5.1. This is an information report and therefore no additional consultation was required.

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. To review the report.
- 6.2. To request further information and/or an alternative approach to delivery of this project.

7. COMMENTS BY THE GROUP HEAD OF FINANCE/SECTION 151 OFFICER

- 7.1. The increase in costs combined with the requirement to protect our reserves in light of budgetary pressures associated with statutory obligations means that the funding of a commercial venture with no return would put additional unnecessary pressure on the Councils reserves.
- 7.2. In May 2022 Full Council approved a supplementary estimate of £486k for the delivery of this project, this report updates the costs to take into account changes in the financial environment since then (a summary table can be found in the report detail).
- 7.3. The cost has increased to £544k, an increase of £58k.
- 7.4. Financing of this project would be through internal borrowing as the Council is unable to borrow from the PWLB (Public Works Loan Board) for commercial purposes.
- 7.5. This would require an approval of a draw down from reserves for a commercial venture that does not provide a return at a time when these reserves are under pressure.
- 7.6. Recommendation 2.1.1 would mean that there are no additional financial implications to the Council at this stage.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. There remains a risk that planning approval may not be achieved.
- 8.2. Market influences may cause delay. Any delays to completion will delay the point from which revenue begins to be generated.

8.3. Ongoing inflationary issues and shortness of skilled labour may affect financial considerations.

8.4. As per 4.10, previously reported expected occupancy rates may be optimistic. Reduced occupancy rates will negatively affect the Cost/Income Analysis and Project Cost Analysis, therefore extending the projected break-even point further into the future.

9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1. This report is for information. The terms of reference of this committee includes the power to carry out performance monitoring and this report provides committee with an opportunity to monitor progress of this project.

10. HUMAN RESOURCES IMPACT

10.1. No additional staffing resource is required to deliver this project.

11. HEALTH & SAFETY IMPACT

11.1. The delivery of this project will follow requirements of the construction, design and management regulations. There will also be operational health and safety risks that will need to be suitably managed and appropriately resourced, in addition to managing ongoing statutory compliance aspects.

12. PROPERTY & ESTATES IMPACT

12.1. The Property and Estates team are delivering this project. Once delivered, the ongoing management of this new asset and any hosting agreement will rest with the Property and Estates team.

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. Bar generated income the project will add to the tourism offer within Arundel.

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. There are no direct adverse implications for climate change from this report. However, delivering a new 3 bedroom property will have a negative impact on the environment and produce an increase in emissions related to residential properties. As this is a property that will be built and utilised by the Council it should follow all sustainability related aspirations. It will therefore be essential to consider climate change and the environment in the development of this property and the wider site. This should include aspects such as, but not limited to: the provision of onsite renewable energy (solar panels and battery storage), building to a standard that supports high energy efficiency and low energy usage (going above and beyond standard building regs and fitting high efficient heat pumps, rather than gas heating), fitting sufficient heating controls, reducing the amount of water wasted on site through flow control devices on showers, taps and toilets, sourcing construction materials responsibly, as well as

protecting and enhancing the biodiversity and green space on site, with the provision of a net gain of biodiversity. Undertaking consultation through the plan making and decision-making process to ensure any adverse impacts are minimised as much as possible should also be undertaken.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1. There are no specific crime or disorder implications.

16. HUMAN RIGHTS IMPACT

16.1. Under The Human Rights Act 1998 it is unlawful for the Council to act in a way which is incompatible with the European Convention on Human Rights. The aim of Human rights is the individual – it is about putting the individual centre stage. This will sometimes mean consulting individuals or groups of individuals before designing services. Individuals are then able to point out how a proposal would affect their dignity, freedom independence etc before the proposal is adopted.

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. There are no specific FOI or Data Protection implications.

CONTACT OFFICER:

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BACKGROUND DOCUMENTS:

[River Road Garage Site Report - Mar 2022](#)

[ONS Construction Output Price Index](#)