

Cabinet

22 March 2017



Title	Development in the Borough (Churchill Hall)		
Purpose of the report	To make a Key Decision		
Report Author	Heather Morgan, Head of Regeneration and Growth		
Cabinet Member	Councillor Ian Harvey	Confidential	Yes
Corporate Priority	Housing		
Recommendations	<p>Cabinet is asked:</p> <ul style="list-style-type: none">• To agree the demolition of the existing building and redevelopment of the site for residential development• To agree the proposed capital provision of £0.7m for the redevelopment of the site (including contingencies) over the period March 2017 – 2019• To give delegated authority to the Group Head of Regeneration and Growth (in consultation with the Leader as Cabinet Member for Strategic Assets) to agree the actual spend of the budget and to deal with any minor variations (with the agreement of the Deputy Chief Executive responsible for Finance as required)• To give delegated authority to the Group Head of Regeneration and Growth (in consultation with the Leader as Cabinet Member for Strategic Assets) to agree any subsequent minor amendments to the proposals as a result of results of surveys, advice from the Local Planning Authority or other responses.		
Reason for Recommendation	<p>This is a cross cutting development which will help the Council deliver on three of its key priorities:</p> <p>(1) Housing (developing an existing site for housing)</p> <p>(2) Financial sustainability (use existing assets to obtain ongoing, sustainable revenue streams and capital appreciation)</p> <p>(3) Economic Development (using assets to stimulate the local economy)</p>		

1. Key issues

- 1.1 On 21 July 2016, Council approved the Corporate Plan 2016 – 2019 which set out a very clear vision for how we want to move forward as a borough. It focuses on a number of core challenges and how we propose to tackle these. The redevelopment of Churchill Hall gives the Council an opportunity to demonstrate to the local community how it is going to turn these priorities into firm action.
- 1.2 There is an ever growing need for housing, and the Council is striving to meet the needs of residents in a variety of ways. One way is to look at whether we as a Council can use our existing assets for housing. Churchill Hall is no longer required for community purposes and is in an ideal location to provide much needed affordable rented accommodation. Any redevelopment will need to respect its location within an existing residential area (and be subject to planning permission – which has recently been granted).
- 1.3 Redevelopment for affordable rented accommodation will also ensure the Council is using the opportunity to obtain an ongoing, sustainable income stream, and hold on to an asset which will appreciate in value over time. There is also scope as part of the process for local architects and construction companies to bid for the work, which (if appointed) will be of benefit to the local economy.

2. Options analysis and proposal

- 2.1 There are a number of options for the site:
 - (a) Redevelopment for residential (affordable rented) (**preferred option**)
 - (b) Redevelopment for residential (private rented)
 - (c) Refurbishment for residential purposes
 - (d) Re-let for community use

Redevelopment for residential (affordable rented)

- 2.2 The most realistic option (and that which meets most corporate priorities) is a residential development to help meet affordable housing needs. Houses (as opposed to flats) would provide the most suitable solution looking at the nature of the surrounding area. The site lies within the developed area where the principle of development is acceptable subject to meeting planning policies and guidance.
- 2.3 **Appendix 1** includes plans and elevations for a scheme which was approved by the Planning Committee on 8 February 2017. The scheme would provide three two bed terraced units, and maximises the use of the site. Housing have been consulted on what accommodation is most needed – this is now for affordable rented housing with a smaller number of bedrooms than has been the case in the past. There is a dearth of houses as opposed to flats, and this redevelopment would provide much needed affordable rented accommodation.
- 2.4 Once constructed, the units could be passed over to Knowle Green Estates Ltd (KGEL) which is a wholly owned Council Company, to run. In doing so, the Council would (with the agreement of KGEL) be able to retain 100% nomination rights over the units in perpetuity (rather than the 75% which is usually the case with our partner affordable housing providers such as A2D,

and Catalyst). A Cabinet report would be required at a future date if the Council were to transfer this asset across.

- 2.5 In addition, by retaining the units the Council would receive an on-going income stream (at Local Housing Allowance levels) as well as an asset which will appreciate in value over time (see Section 3 – Financial Considerations) below. **This is the preferred option**

Redevelopment for residential (private rented)

- 2.6 The site could potentially be redeveloped for private market housing. However this would not meet the need that the borough has for affordable housing. Whilst valuable for housing, the site is not in a location such that the Council could achieve high values if we were to build and sell or build and rent privately. It is considered that the site is highly suitable for affordable rented accommodation, and will go some small way towards meeting the significant need that we have.
- 2.7 This option is not recommended.

Other redevelopment options

- 2.8 There are no other options that would be suitable for this site. It is the wrong size and location for offices or light industrial. Nor is it suitably located for leisure, or retail. It may be feasible to look at childcare and medical facilities and values have been sought for these uses as a comparison. The rental income for these types of uses could be between £9.50 and £13.50 per square foot for a 3 – 5 year lease. For a hall of 1,600 square feet this would equate to approximately £16,000 pa. Whilst bringing in an income this would not make best use of the site from an asset point of view
- 2.9 This option is not recommended.

Refurbishment for residential

- 2.10 The current building (a community hall) does not lend itself to being used for residential development and would make very inefficient use of the site. This is not a realistic prospect. A first floor extension was considered several years ago but rejected by the Local Planning Authority at pre-application stage and was not progressed further.
- 2.11 This option is not recommended.

Re-let for community use

- 2.12 Prior to 2011 the hall was a Council run community facility, which operated as an elderly day centre. The facility was no longer sustainable, and a decision was made to look at what other uses the building could be put to. After a marketing exercise, the hall was leased to Kelli Dixon Academy of Dance and Stage School. The lease ran from 1 April 2011 up to 31 March 2014, at which point Kelli Dixon offered to buy the site for £90,000. This offer was declined by Cabinet who then agreed to extend the lease to 31 July 2016. At this point it was terminated by the Council (due to its redevelopment plans). The rental was £6,667 pa for an asset worth £90,000.
- 2.13 Re-letting for a community use is unlikely to bring in much more income than before (possibly around £9,000 - £12,000 pa). A true community use would require the Council to take back all the costs of running, staffing and maintaining the facility which would not make sense economically. Nor would

it fit in with the current strategy of the Council to provide day centres which are bespoke and serve different element within our community.

2.14 This option is not recommended.

3. Financial implications

3.1 A high level appraisal has been undertaken of the redevelopment proposal in order to establish (1) the cost of the redevelopment and (2) the revenue income stream from the affordable rented units once they are complete (**confidential Appendix 2**). Cabinet will note that the scheme achieves an on-going income stream estimated to be c. £37,000 per annum (gross).

3.2 A capital budget of £0.7m will need to be set aside for the delivery of this project. This would be financed from borrowing. The cost of obtaining planning permission is £10,000 and this has already been accounted for from existing budgets. Further surveys are required prior to demolition (asbestos) and to look into utilities.

3.3 Building Control will be 'sense checking' the costings, both within appraisals and as we progress towards the build. They will also be checking what pricing local builders would be looking at (on a without prejudice basis). This will help to ensure that costs are minimised (and would effectively informally be taking on the mantle of a cost consultant whose role it is to assist in looking at build costs to see where designs can be tweaked or materials altered with a view to maximising cost savings).

3.4 There will be an additional cost of c. £15,000 over the lifetime of the project for the expert external resource which is being utilised. This will be absorbed from within existing budgets and no additional revenue is required.

4. Other considerations

Project resource

4.1 Cabinet should note that the core project team currently comprise officers from assets, projects and housing (to ensure a constant dialogue is maintained).

4.2 Advice has been brought in to expedite this redevelopment and these costs are referred to in paragraph 3.3 above. Officers at Spelthorne will maintain oversight of the whole process (meeting key milestones, reviewing budgetary spend) but the detailed management of the process and contractors will be undertaken externally.

Planning

4.3 Permission was granted by the Planning Committee on 8 February 2017.

Possible further amendments to the scheme

4.4 It is recommended that delegated authority be given to the Group Head Regeneration and Growth and the Leader (who holds Cabinet responsibility for Strategic Assets) to agree refinements to the scheme as it progresses through the various development phases. The redevelopment would slow considerably (and the process would become very unwieldy) if changes to the proposal were to have to come back to Cabinet each and every time for a decision.

Procurement and Legal

- 4.5 Legal have advised that regardless of whether the land may be transferred from the Council to KGEL that the architects and construction company will need to go through the Councils standard procurement process. Legal Services are assisting with advice on procurement and KGEL including state aid.

Future management of units

- 4.6 The Council is not a stock holding authority and therefore do not have rent management systems in place. Were KGEL to take ownership then a resource (whether via the Council or externally) would need to be brought in to manage the affordable rented units.

Sustainability and other issues

- 4.7 Discussions are taking place with the Sustainability Team with a view to incorporating a number of elements which will take the scheme above and beyond what is required from a planning policy point of view. It is understood that this will not necessarily increase costs if they are incorporated into the design at an early stage. These sustainability options will be included in the tender documents so we can ascertain costs before deciding on what to incorporate.
- 4.8 The development will need to meet planning and building regulations requirements in respect of those with disabilities.

5. Timetable for implementation

- 5.1 An indicative timetable for the project is set out in **Appendix 3**. Cabinet should note that this is subject to no adverse findings as a result of various technical surveys (including utilities), and to there being no delays in obtaining planning permission. The Leader will be kept updated on any departures from the timetable (along with a reasoned justification).

Background papers: There are none.

Appendices:

- 1 Redevelopment proposals
- 2 Financial (**confidential**)
- 3 Indicative timetable