

To:
All members of the
Development Sub-Committee

Please reply to:
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Date: 01 April 2022

Supplementary Agenda

Development Sub-Committee - Tuesday, 5 April 2022

Dear Councillor

I enclose the following items which were marked 'to follow' on the agenda for the Development Sub-Committee meeting to be held on Tuesday, 5 April 2022:

- 3. Oast House - review and viability assessment** **3 - 38**
To consider the proposed Oast House Development.

Yours sincerely

Karen Wyeth
Corporate Governance

To the members of the Development Sub-Committee

Councillors:

R.A. Smith-Ainsley (Vice-
Chairman)
S. Buttar

J.T.F. Doran
H. Harvey

L. E. Nichols
S.C. Mooney

Substitute Members: Councillors:
Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

Development Sub Committee (DRAFT 1)



5 April 2022

Title	Oast House, Kingston Road, Staines – Design Revisions & Viability
Purpose of the report	To make a decision
Report Author	Richard Mortimer (Development Advisor)
Exempt	No
Reason for Exemption	N/A
Corporate Priority	Community, Affordable Housing, Environment.
Recommendations	<p>Development Sub Committee (DSC) are asked to:</p> <ol style="list-style-type: none"> 1. Refer the decision on the Oast House development to Council under the Council's referral scheme. <p>Full Council are asked to:</p> <ol style="list-style-type: none"> 2. Approve a mixed-use scheme for the Oast House site with revised residential heights of 12 + 10 storeys. 3. Approve NHS Heartlands proposed community health and wellbeing centre provision as part of the above mixed use development. 4. Delegate to Chair of the Development Sub Committee in consultation with the Deputy Chief Executive Officer and S151 Officer authority to approve final terms and enter into a binding Collaboration Agreement with NHS Surrey Heartlands Healthcare. This is to facilitate the submission and determination of a planning application for a mixed-use scheme comprising residential, healthcare and other uses including the restoration of a Listed building. Thereafter a Development Agreement will be required to facilitate the delivery of the health and wellbeing centre requiring both DSC and NHS approval.
Reason for Recommendations	<ol style="list-style-type: none"> 1. Continued delays in moving forward with the development of this site risks losing the investment of up to £37m in a new NHS health and wellbeing centre in Staines. The health centre (primary and secondary care) is a unique

	<p>opportunity for Staines to secure new higher quality modern infrastructure to meet residents current and future health needs.</p> <ol style="list-style-type: none"> 2. This NHS project is only one of 6 pilot projects being undertaken nationwide. However, the NHS are working to tight timescales that assumes a planning application is submitted in October 2022. Continual scheme delays are impinging on progress with design development. Unless a decision is made this month regarding the overall scheme, there is a significant risk this investment will be redirected elsewhere nationally. 3. The current revised proposal is the absolute minimum required to maintain a financially viable scheme that represents value for money. This is in line with previous DSC and Council declarations, namely that the Council must at least have a financially break-even scheme that does not burden Spelthorne's taxpayers for decades with subsidising the development, either directly or indirectly through community service cuts. 4. The moratorium on council owned schemes and the subsequent delay has seen holding costs accrue and build costs increase exponentially. This has directly resulted in this scheme incurring holding costs of £47,500 per month, though this is dwarfed by the increase in build costs of £13m so far directly attributable to the delays caused by the moratorium. Further delays exacerbate the ability to secure a financially viable scheme as increased labour, materials and fuel costs bite. 5. The revised scheme brings forward a unique offering for the town, namely 182 new homes available at affordable rents for local people on our housing waiting list. This is significantly lower than the 350 planned for the site when Cabinet approved the site acquisition in March 2019 for a price of £19.5m 6. At 193 dwellings per hectare, this density of housing is considerably lower than any commercial developer would propose (nearby commercial schemes are roughly double the proposed density). Any further reduction in the density of the development makes the scheme become unviable. 7. The maximum height of the scheme is 12 storeys. The revised scheme is marginally viable. To continue delaying the scheme will ultimately increase pressure on viability rendering this proposal financially unviable unless additional density (height) is added to mitigate these impacts.
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1. **Background**

- 1.1 On 27 March 2019, Cabinet were presented with a paper that proposed a potential residential scheme for 350 in order to support the proposed purchase price of this site. This was the basis upon which approval was granted. The site purchase was completed in October 2019.
- 1.2 Design team appointments were concluded in December 2019 and feasibility works commenced in mid-December 2019. However, progress was frustrated three months later due to the unforeseen events of Covid 19. This led to the Local Planning Authority (LPA) being unavailable for physical meetings between late March 2020 to September 2020 however limited progress was made using virtual technology. During this period, there was also a change in political leadership which resulted in further delays in obtaining buy-in to proposals/progress whilst the new Administration considered its strategic ambitions.
- 1.3 In December 2020, the Council sought to impose a moratorium on all developments in Staines. It is notable that this moratorium was not enforceable against third-party developers and ended up only affecting council owned developments. This remained in place until the end of 2021.
- 1.4 Officers had also advised Council during 2020, that any delays to projects would lead schemes incurring unnecessary significant construction cost increases due to the impacts of Brexit, loss of construction labour and evolving Covid 19 working practices which have extended programme durations. It is now evident that these delays such as the moratorium have cost this project alone approximately £13m in increased capital costs making its viability very marginal. The holding costs continue to run at approximately £47,500 per month.
- 1.5 Since July 2021, NHS Surrey Healthcare have expressed interest in investing in a new healthcare facility on part of the site. This will be one of six pilot projects that are to be rolled out nationally. Not only is this likely to provide a significant investment up to £37m in the regeneration of Staines Town Centre, it also helps in front loading and expanding much needed locally available healthcare facilities to support future housing development and meet the wider needs of the Borough's growing population.
- 1.6 The Council's Assets Team have been in consultation with Staines ward councillors during the last quarter of 2021 in order to refine the mixed-use elements of the scheme with a particular focus on the heights of the residential blocks towards the rear of the site. Whilst the preference of ward councillors has been for a scheme offering optimal heights of 9 storeys, it results in the inevitable consequence of making the entire mixed-use development financially unviable. In the event that a reduced height scheme is approved, the likely negative impact will be borne by future council taxpayers.
- 1.7 At Full Council meeting on 10 March 2022, the 14 +8 storey residential element that was recommended for approval by Development Sub-Committee was rejected, one of the directives was that any scheme brought forward needed to address heights and importantly needed to be financially viable. The revised scheme being proposed responds to this directive.

2. Planning Considerations

- 2.1 It is worth reminding Councillors what densities are being achieved on other sites, some are in the immediate vicinity –

Scheme	No Of Apartments	Density Per Hectare	Planning Status
Eden Grove, Fairfield Ave/London Rd	489 apartments (14 storeys)	491 (14 storeys)	Granted
London Square	302 apartments (12 storeys)	320 (12 storeys)	Granted
Renshaw Industrial Estate	397 apartments (13 storeys)	370 (13 storeys)	LPA recommended for approval. Rejected.
Inland Homes, Thames St	206 apartments (15 storeys)	389 (15 storeys)	Granted at Appeal
Oast House, Kingston Road	182 apartments proposed + Healthcare	193 (12 Storeys). Revised Scheme	Pre-Planning Submission

- 2.2 It should be noted that the minimum density being proposed by officers to ensure the site remains financially viable is 298 dwellings per hectare less than Eden Grove which is within a minute's walking distance and 127 dwellings less than the Charter Square scheme. Furthermore, the revised scheme sits comfortably around the proposed zoning limits for density per hectare (dph) set in the Staines Development Framework proposals for 180 units and healthcare facilities.
- 2.3 If a private developer were looking to develop the Oast House site, these are the densities they would be using as a precedent to justify a scheme in the order of 350 units.
- 2.4 The moratorium also exacerbated delays in the LPA's ability to meet its Housing Delivery Targets. Failure to bring forward the Council's own sites has also contributed to the LPA delivering only 50% of its target as reported in 2021. This has reinforced the presumption in favour of development and the "tilted balance" case for developers to bring forward more ambitious (higher density) schemes. If the LPA were able to maintain +75% of their target then they would have greater control over the quantum and quality of future housing delivery schemes rather than decisions being taken out of their hands and determined by the Planning Inspectorate. The Inland Homes decision is a clear example of what happens when political intervention frustrates housing targets. A Planning Inspector may also view the moratorium and continual rejection of LPA supported major schemes by the Planning Committee on weak grounds as the Council taking a "nimby" stance towards development.
- 2.5 The Oast House site provides a unique opportunity to not only front load much needed healthcare facilities but also deliver a substantial quantum of

affordable housing for local people and reduce our ever-increasing Housing Register. It can also be seen that the revised heights respond to Councillor concerns and would be much lower than a private developer seeking to maximise profits.

3 NHS Surrey Healthcare – Proposition

- 3.1 In July 2021, the DSC authorised the Group Head for Regeneration and Growth to engage with the NHS Estates team regarding the provision of a new healthcare (primary and secondary care) facility in Staines. Several options were considered and their preferred options were the Spelthorne Leisure Centre site and the Oast House.
- 3.2 For obvious reasons, the leisure centre site was not a viable option and the surplus land where the nursery is located is subject to a lease until June 2025. Also, their spatial and layout requirements would most likely result in an overdevelopment of the site. Therefore, initial designs have been tested at the Oast House site in collaboration with their technical team and a deliverable scheme can be achieved subject to planning.
- 3.3 After several months of engagement, the NHS Outline Business Case has been approved by NHS England to progress the project. Full Business Case approval will be granted once planning permission has been secured.
- 3.4 As stated, this project is one of six pilot projects being rolled out nationally and represents a one-off opportunity for Staines to benefit from these new state of the art facilities. However, time is of the essence for the NHS in terms of getting these new centres built.
- 3.5 As a statement of their intent, the NHS have committed £250,000 towards the design fees to enable the project to be progressed up to planning submission. This payment was made in late March 2022. This assumes that design development starts in mid-April and a planning application is submitted by October 2022 with a construction start at the earliest possible opportunity next year. However, this is at risk if Council cannot agree a viable scheme for the entire site.
- 3.6 Both parties have agreed that it is in their mutual interests to enter into a Collaboration Agreement which aligns their respective interests in progressing the entire mixed use scheme proposals up to planning permission. A key NHS requirement is that the programme provides for the submission of the planning application by October 2022. This necessitates the need for a viable scheme for the entire site to be agreed by Council no later than 27 April 2022 so work can start being progressed.
- 3.7 The Collaboration Agreement will also include for the release of further funds by agreement between the parties to cover detailed design fees should they decide it is commercially advantageous to progress this concurrently with the planning determination period. Given the cost of time (£47,500 per month) and the current rate of build cost inflation this may be prudent.
- 3.8 Once planning permission has been obtained, the NHS will be able to submit their Full Business Case for approval. This is expected to take around 8-10 weeks. During this period, pre-commencement conditions will start to be discharged and the Development Agreement will be entered into for the

delivery of their building subject to final NHS and DSC/Council approval. The final contract sum and appointment of a main contractor will also take place at this point thereby locking down our financial exposure to the project. Demolition and construction will start thereafter with practical completion anticipated in 2025.

- 3.9 The scheme will be subject to NHS and Council/KGE financial viability and approval of construction budgets for the entire mixed-use scheme.

4. Design Considerations

- 4.1 This report primarily focuses on the residential part of the scheme proposals as this is the area which has been of greatest interest to members. However, the layout and configuration of the blocks has been defined by several factors which have informed the various iterations which have been shared with councillors.
- 4.2 Firstly, the NHS have specific standardised requirements which dictate the layout and configuration in order to meet their technical specifications. Secondly, there are site constraints which need to be taken into account such as privacy/adjacency distances, daylighting/sunlighting, amenity provision, site legibility and maximising useable public realm. For these reasons, only 2-4 storey development occupies adjacencies towards the boundary with Florida Court and homes on Kingston Road. Therefore, increased massing has been placed (in consultation with the LPA) in locations to the rear of the site which have minimal impact on nearby dwellings.
- 4.3 Deliveries, fire services, disabled parking and waste collection services need access to the buildings at the rear of the site as well as turning space. Furthermore, there are minimum highways standards/distances between junctions so the “streets” location within the site is informed by this and the NHS buildings footprint.
- 4.4 Parking is proposed in a multi-storey car park over part of the Elmsleigh Surface Car Park that sits between the intersection of the two rail tracks. The NHS require 118 spaces and the residential is expected to require 128 spaces. This is the most economic way of delivering parking on an under-utilised site that is already allocated for Thameside House parking at ground level. Traffic impacts can be managed on the network as marginal peak hour increases are anticipated. Healthcare tends to have visitors throughout the day and the residential is located in a highly sustainable location. Also, with remote working and online shopping trends set to increase peak hour impacts on the highway network are anticipated to be very marginal. This will be addressed in the formal Transport Assessment that needs to be submitted as part of a future planning application.

5. Options analysis and proposals

Several options have been considered and discussed with the Development Sub Committee and with Staines ward Councillors.

5.1 **Option 1 - Revised Scheme 12+ 10 storeys (Preferred Option) financially viable for Council and KGE**

This revised option follows a similar footprint to other previous options and comprises lower elements of 2-4 storeys where the site adjoins existing residential properties to mitigate the impacts on adjacent residences. The taller parts between 10-12 storeys are located at the rear of the site in the least sensitive locations. This adjustment provides this option with a total 182 apartments of which 143 are 2 beds and 39 are 1 bed units. The 2 bed apartments represent 79% of the total which is designed to align with our Housing Team's greatest need. On the ground floor, there is 6,690sqft of commercial/workspace accommodation. **See illustrations at Appendix 1.**

As Council will be aware, the Listed building did not get awarded grant funding by the Arts Council for a theatre/cultural offer. Therefore, this element has been ring-fenced whilst alternative funding options are considered.

The benefit of this option is that the residential blocks positively respond to Council's request for a reduction in height **and** for the scheme to remain financially viable. Without the entire scheme being viable, the NHS scheme cannot be delivered.

5.2 **Option 2 - Rejected Scheme (14+8 storeys)**

By comparison to the revised 12 storey option, and as a reminder to Council, the rejected 181-unit scheme had the same composition of apartments but one less two bedroom unit. However, its built form comprised the higher 14 storey element that wasn't accepted by Council. This option was financially viable.

5.3 **Option 3 - 10 storey Option**

This was a variation requested by Staines councillors. However, not only was it unviable, it is not supported by the LPA due to its incongruous bulk and massing. Therefore, this option has not been progressed.

5.4 **Option 4 - 10 + 8 Storey Option**

This option was also requested by Staines councillors. It comprises 149 apartments with ground floor commercial uses. Whilst it seeks to mitigate the issues with bulk and massing of the 10 storey option by providing additional articulation by stepping down to 8 storeys, it exacerbates financial losses. Therefore, this option has not been progressed.

5.5 **Option 5 - Site Sale**

There are many reasons that make this an unattractive option. Firstly, there would be redemption penalties to pay if the PWLB loan was terminated. Secondly, there are approximately £1.2m of costs that would need to be written off. These are currently capitalised and would provide a significant hit on the Revenue account if the site were sold.

A site sale would give a 3rd party developer the opportunity to pursue a scheme closer to 350 units and would most likely succeed in achieving this higher density at appeal due to the Council's continual failure to meet Housing Delivery Targets. As stated, the moratorium has done nothing to indicate Council has any commitment to achieving these targets and this approach to major brownfield sites may be portraying a nimby attitude. Therefore, a Planning Inspector is unlikely to take a sympathetic line given the current

presumption in favour of sustainable development and “tilted balance” approach to applications. Most importantly, a private developer would prioritise maximising profits and the unique opportunity to deliver the healthcare facility would be lost.

5.6 **Option 6 - Do Nothing Option**

Doing nothing will result in the Council continuing to incur monthly holding costs of £47,500pcm indefinitely. Also, any future scheme would incur increased build cost inflation as a consequence of deferring a decision to progress the scheme. In addition, costs to date would need to be written off to Revenue which provides a significant hit and may affect service provision.

Most importantly, from a community infrastructure perspective, doing nothing would result in the loss of the NHS healthcare provision and its investment in Staines town centre.

6 Construction Market & Phasing

- 6.1 Construction costs have been subject to unprecedented levels of price inflation and market volatility. **Appendix 2** illustrates current market inflation forecasts. These figures exclude increased fuel costs and impacts of the Russia/Ukraine conflict which is also affecting materials availability. Ultimately, this is a conservative picture of the market.
- 6.2 Members will also be aware from recent papers that the leisure centre costs have increased 15% and Ashford Victory Place by 17% despite robust negotiations by the Assets Team. All the Council’s projects are subject to similar inflationary pressures and the Council’s ability to be decisive will be a mitigating factor in how great this liability will be. The Assets Team are currently investigating the potential for offsite fabrication for some schemes in order to expedite quicker delivery times allowing for earlier fixing of prices, lower labour demands and increased programme certainty. This also will help support our ambitions towards the delivery of net zero carbon buildings. However, in isolation this will not be sufficient to mitigate cost pressures unless informed timely decisions are made by Council to allow these schemes to be progressed.
- 6.3 In terms of **phasing options**, both a single and two phased approach has been considered to explore if the healthcare centre could be delivered in isolation. However, there are good reasons why a two phased approach is **not** viable –
- a. This would extend the programme resulting in the deferral of much needed housing at affordable rents. It would also delay the income stream flowing from the development which can be used to support a wide range of services within the council.
 - b. Part of the residential oversails the healthcare premises. Therefore, it is not possible to build this part without delivering the residential too.
 - c. There would be an unnecessary doubling up in main contractor prelims which adds costs undermining financial viability. Therefore, higher densities would be required to mitigate these costs.

- d. The project would incur increased and unnecessary construction cost inflation due to prolongation. This would make the development scheme unviable or as above require additional density to offset additional costs.
- e. A two phased development and its longer programme would also lead to prolonged construction disruption to local residents and the new healthcare facility. It may also complicate and delay the delivery of any S106/278 obligations as well as public realm connectivity to the Elmsleigh Car Park and the town centre.
- f. Logistics, health and safety risks would also increase with a two phased scheme. It would also result in the need for increased “just in time” deliveries thereby increasing traffic flows in/out of the site resulting in increased costs too.

The Listed Building, which will be a conversion is the only element which could be delivered as a single phase as most of the works would be internal.

7 Financial implications

- 7.1 Officers have been advising Councillors about forecast price increases for over 18 months and the risks of delaying the Council’s development schemes. The table below sets out the key viability metrics for two options discussed with councillors and a new 12+10 storey option -

Scheme	NHS, 12+10 storeys residential	NHS, 10 storeys residential	NHS, 10+8 storeys residential
Units	182	171	149
Gross Value	£116.65m	£109.9m	£101.4m
Costs	£115.8m	£112.9m	£105.3m
Viable yes/no for KGE (ie will be able to sustain the loan repayments to the Council)	Yes (100% AH) although this leads to a 7% p.a. shortfall in revenue income for the Council, over the next 50 years, this will not impact on our service delivery.	No (100% AH) as this leads to an 18% p.a. shortfall in revenue income for the Council, over the next 50 years, and will mean that services will need to be cut.	No (100% AH) as this leads to a 27% p.a. shortfall in revenue income for the Council over the next 50 years and will mean that services will need to be cut.

AH = Affordable Housing

- 7.2 Any increase in costs will be passed on to Knowle Green Estates Ltd (KGE). As future transactions from SBC to KGE will be based on cost rather than value, the Council will not be ultimately exposed to a valuation shortfall risk. However, due to the increase in build costs the cost of debt is likely to be higher to KGE which makes it more challenging for any scheme to be viable. This transaction is also subject to formal approval by the KGE Board.

- 7.3 A KGE Viability Statement is attached which demonstrates the scheme still remains viable at 12 +10 storeys. **(See Appendix 3).**

8 Procurement

- 8.1 Soft market testing has been undertaken with our Procurement team. It is evident that the earlier we can get design detail developed and start engaging with contractors the greater the prospects of mitigating construction cost inflation.
- 8.2 A formal procurement process for the construction tender will not be undertaken until the team are closer to submitting a planning application. A commercial decision will then need to be made in collaboration with the Development-Sub Committee and Council around the timing when an appointment should be made.

9 Risks

- 9.1 To summarise, key risks to the development of this site are -
- a. Further delay in Council approving a financially viable scheme option risks the loss of the NHS facility. This provides a unique opportunity to front load healthcare infrastructure in Staines town centre.
 - b. Further delay will result in increased holding costs which run at £47,500 per month.
 - c. Further delay will result in the scheme being subjected to unnecessary build cost inflation that is currently running at unprecedented levels. The only way to potentially mitigate these impacts is to increase height and density.
 - d. The construction market is also facing labour shortages and this situation is likely to worsen before it gets better. This will impact on programme certainty and could result in delays to our project. Again, the earlier Council makes a commitment to a viable scheme the earlier the Assets Team can start engaging with contractors to place early orders, source materials and secure scarce labour resources. This is a complex project in normal market conditions and Council needs to be decisive in order to mitigate these impacts.
 - e. Continuing delay means the deferral of much needed homes being available at affordable rents to local people. Housing delivery aligns with the Council's Affordable Housing corporate priority. This is against a backdrop of increasing numbers of applicants on our Housing Register.
 - f. The provision of this innovative healthcare provision is dependent upon receipt of funding from NHS England. This funding is itself dependant on the Council meeting NHS critical path project deadlines. Delay in Council approving a viable scheme will negatively impact on the Council's ability to meet these deadlines.

10 Sustainability/Climate Change Implications

- 10.1 The scheme will target Breeam Excellent for the NHS part and net carbon zero for the residential. This compares to the Council's own policy requirement of 10% above Part L of the Building Regulations for energy efficiency.

11 Timetable -

Development Sub Committee Presentation – 5 April 2022

Full Council Decision – 27 April 2022

Knowle Green Estates Board - 18 May 2022

Target Planning Submission – October 2022

Target Planning Determination – February 2023

Demolition – April 2023

Main Build Mobilisation – Late July 2023

Main Build Works Commence – Mid August 2023

Forecast Practical Completion – End July 2025

12 Legal Comments

- 12.1 It is confirmed that the proposed referral of this item to Council complies with Part 4(b), para 1(a) of the Council's constitution.
- 12.2 It is confirmed that the preferred recommendation complies with the Council's Best Value duty with regard to the disposal of land.
- 12.3 In the event that Council approves a scheme for mixed uses at the Oast House site, Legal Officers will assist the Development Manager finalise terms for the Collaboration Agreement and ensure its execution in accordance with Council instructions.
- 12.4 Careful legal advice will also be provided throughout the development to ensure the scheme and any leases comply with the various statutory requirements including Public Contracts Regulations 2015 and whether an approval from the Secretary of State would be required for the disposal of land associated with the community health and wellbeing centre.

Background papers:

Appendix 1	BPA Revised Scheme
Appendix 2	Materials Price Inflation Indicator 2021. (J.Sisk Ltd)
Appendix 3	KGE Viability

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OASTHOUSE, STAINES

12 storey test option

29 March 2022



Stage 2
(Original DSC Recommended Proposal)

Massing

Flat Size	Count	Percentage
1B2P	34	18.8%
2B3P	45	24.9%
2B4P	102	56.35%
Total	181	100%



Revised option maximum
12 storeys

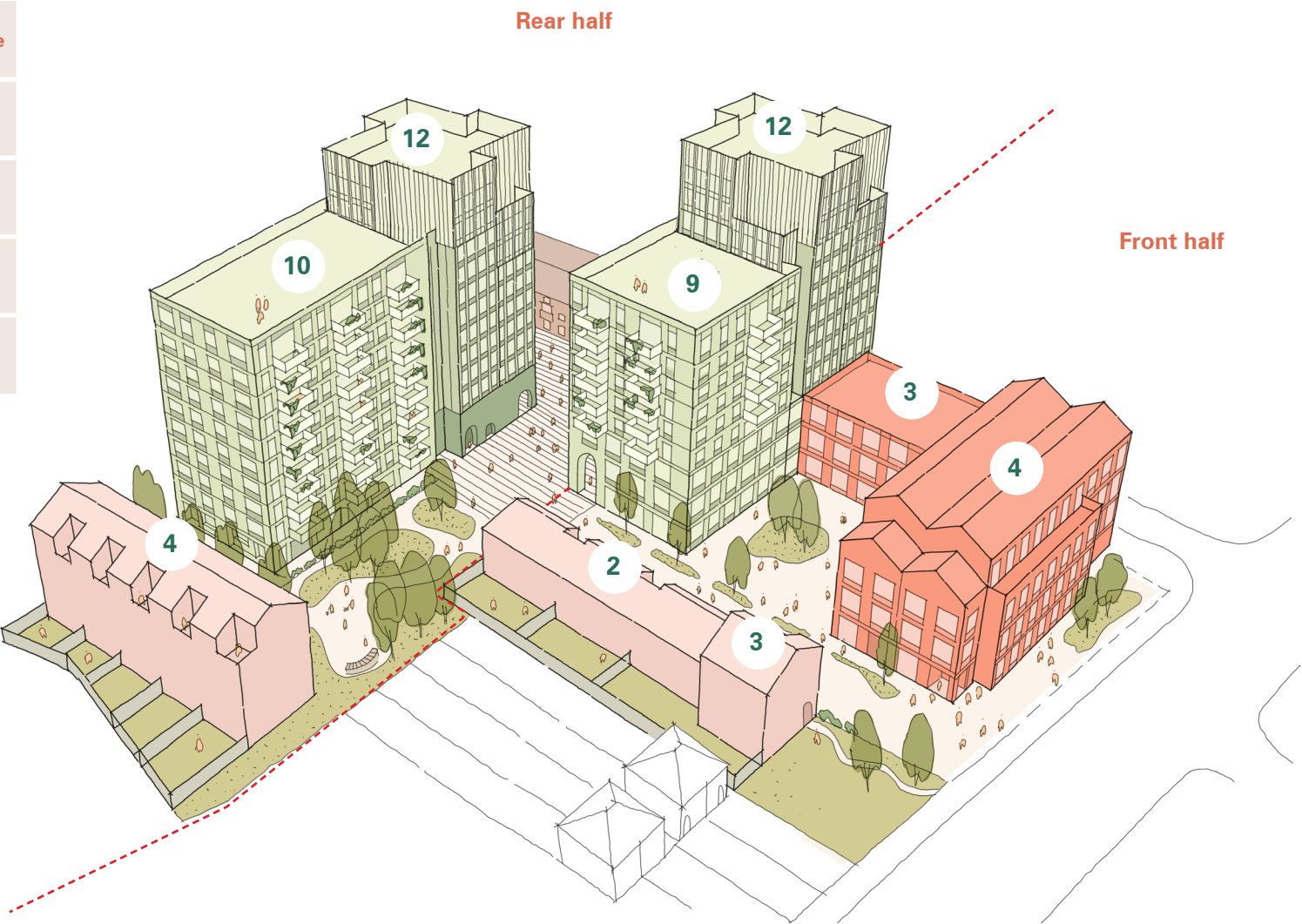
Massing

Flat Size	Count	Percentage
1B2P	39	21.4%
2B3P	51	28%
2B4P	92	50.6%
Total	182	100%

Density front of site:
167 dwellings per hectare

Density rear of site:
217 dwellings per hectare

Density for whole site:
193 Dwellings per hectare



Revised option maximum 12 storeys

View south along Sidney Road



Revised option maximum
12 storeys

View west along Kingston Road



Revised option maximum 12 storeys

Schedules

Unit Mix per Block (Rooms) - Stage 2						
Comments	Count	Percentage Count	Percentage	Habitable Rooms	Bicycles	Refuse
Block A						
1B2P	20	20	30%	40	20	1000 L
2B3P	12	12	18%	36	12	1020 L
2B4P	34	34	52%	102	34	2890 L
	66	66	100%	178	66	4910 L
Block B						
1B2P	17	17	17%	34	17	850 L
2B3P	36	36	37%	108	36	3060 L
2B4P	45	45	46%	135	45	3825 L
	98	98	100%	277	98	7735 L
Block C						
2B4P (Duplex)	10	5	100%	30	10	850 L
	10	5	100%	30	10	850 L
Block D						
1B2P	2	2	25%	4	2	100 L
2B3P	3	3	38%	9	3	255 L
2B4P	3	3	38%	9	3	255 L
	8	8	100%	22	8	610 L
	182			507	182	14105 L

Unit Mix per Block per Level (Rooms) - Stage 2							
Comments	Count	Percentage Count	Percentage	Level	Habitable Rooms	Bicycles	Refuse
Block A							
03-A							
1B2P	2	2	3%	03-A	4	2	100 L
2B3P	2	2	3%	03-A	6	2	170 L
2B4P	5	5	8%	03-A	15	5	425 L
	9	9	14%		25	9	695 L
04-A							
1B2P	2	2	3%	04-A	4	2	100 L
2B3P	2	2	3%	04-A	6	2	170 L
2B4P	5	5	8%	04-A	15	5	425 L
	9	9	14%		25	9	695 L
05-A							
1B2P	2	2	3%	05-A	4	2	100 L
2B3P	2	2	3%	05-A	6	2	170 L
2B4P	5	5	8%	05-A	15	5	425 L
	9	9	14%		25	9	695 L
06-A							
1B2P	2	2	3%	06-A	4	2	100 L
2B3P	2	2	3%	06-A	6	2	170 L
2B4P	5	5	8%	06-A	15	5	425 L
	9	9	14%		25	9	695 L
07-A							
1B2P	2	2	3%	07-A	4	2	100 L
2B3P	2	2	3%	07-A	6	2	170 L
2B4P	5	5	8%	07-A	15	5	425 L
	9	9	14%		25	9	695 L
08-A							
1B2P	2	2	3%	08-A	4	2	100 L
2B3P	2	2	3%	08-A	6	2	170 L
2B4P	5	5	8%	08-A	15	5	425 L
	9	9	14%		25	9	695 L
09-A							
2B4P	4	4	6%	09-A	12	4	340 L
	4	4	6%		12	4	340 L
10-A							
1B2P	4	4	6%	10-A	8	4	200 L
	4	4	6%		8	4	200 L
11-A							
1B2P	4	4	6%	11-A	8	4	200 L
	4	4	6%		8	4	200 L
Block A	66	66	100%		178	66	4910 L
Block B							
1-B							
1B2P	1	1	1%	1-B	2	1	50 L
2B3P	4	4	4%	1-B	12	4	340 L
2B4P	5	5	5%	1-B	15	5	425 L
	10	10	10%		29	10	815 L
2-B							
1B2P	1	1	1%	2-B	2	1	50 L
2B3P	4	4	4%	2-B	12	4	340 L
2B4P	5	5	5%	2-B	15	5	425 L
	10	10	10%		29	10	815 L
3-B							
1B2P	1	1	1%	3-B	2	1	50 L
2B3P	4	4	4%	3-B	12	4	340 L
2B4P	5	5	5%	3-B	15	5	425 L
	10	10	10%		29	10	815 L
B - 04							
1B2P	1	1	1%	B - 04	2	1	50 L

Unit Mix per Block per Level (Rooms) - Stage 2							
Comments	Count	Percentage Count	Percentage	Level	Habitable Rooms	Bicycles	Refuse
B - 04							
2B3P	4	4	4%	B - 04	12	4	340 L
2B4P	5	5	5%	B - 04	15	5	425 L
	10	10	10%		29	10	815 L
B - 05							
1B2P	1	1	1%	B - 05	2	1	50 L
2B3P	4	4	4%	B - 05	12	4	340 L
2B4P	5	5	5%	B - 05	15	5	425 L
	10	10	10%		29	10	815 L
B - 06							
1B2P	1	1	1%	B - 06	2	1	50 L
2B3P	4	4	4%	B - 06	12	4	340 L
2B4P	5	5	5%	B - 06	15	5	425 L
	10	10	10%		29	10	815 L
B - 07							
1B2P	1	1	1%	B - 07	2	1	50 L
2B3P	4	4	4%	B - 07	12	4	340 L
2B4P	5	5	5%	B - 07	15	5	425 L
	10	10	10%		29	10	815 L
B - 08							
1B2P	1	1	1%	B - 08	2	1	50 L
2B3P	4	4	4%	B - 08	12	4	340 L
2B4P	5	5	5%	B - 08	15	5	425 L
	10	10	10%		29	10	815 L
B - 09							
1B2P	1	1	1%	B - 09	2	1	50 L
2B3P	4	4	4%	B - 09	12	4	340 L
2B4P	5	5	5%	B - 09	15	5	425 L
	10	10	10%		29	10	815 L
B - 10							
1B2P	4	4	4%	B - 10	8	4	200 L
	4	4	4%		8	4	200 L
B - 11							
1B2P	4	4	4%	B - 11	8	4	200 L
	4	4	4%		8	4	200 L
Block B	98	98	100%		277	98	7735 L
Block C							
0							
2B4P (Duplex)	5	2.5	50%	0	15	5	425 L
	5	2.5	50%		15	5	425 L
02-C							
2B4P (Duplex)	5	2.5	50%	02-C	15	5	425 L
	5	2.5	50%		15	5	425 L
Block C	10	5	100%		30	10	850 L
Block D							
0							
1B2P	1	1	13%	0	2	1	50 L
2B4P	3	3	38%	0	9	3	255 L
	4	4	50%		11	4	305 L
01-C							
1B2P	1	1	13%	01-C	2	1	50 L
2B3P	2	2	25%	01-C	6	2	170 L
	3	3	38%		8	3	220 L
1-B							
2B3P	1	1	13%	1-B	3	1	85 L
	1	1	13%		3	1	85 L
Block D	8	8	100%		22	8	610 L
	182	177			507	182	14105 L

BELL PHILLIPS ARCHITECTS

Unit 305, Metropolitan Wharf
70 Wapping Wall
London
E1W 3SS, UK







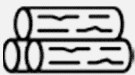





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Market Update Dashboard

Procurement UK Material Price Movements

(13th Sept 2021)

MATERIAL	PRICE CHANGE	CURRENT MOVEMENT 12 MTH	FORECAST 12 MTH	AVAILABILITY CONCERN	MATERIAL	PRICE CHANGE	CURRENT MOVEMENT 12 MTH	FORECAST 12 MTH	AVAILABILITY CONCERN
 AGGREGATES		8%	↑ 8%		 BRICKS		3%	↑ 15%	
 CONCRETE		4%	↑ 8%		 INSULATION		15%	↑ 20%	
 REBAR & MESH		40%	↑ 7%		 PLASTERBOARD		3%	↑ 7%	
 TIMBER /BOARD		80%	↑ 20%		 METAL STUD		35%	↑ 8%	
 STEEL		50%	↑ 7%		 DIESEL		65%	↑ 65%	
 ALUMINIUM		20%	↑ 10%		 SHIPPING		1500%	→ 0%	

Note All rates are estimates on the market overall and not linked to individual products as this can vary within product groups. General material cost inflation is forecast to rise by between 7 and 8 per cent over the next year, according to the Office for National Statistics. Recent Industry Survey By RICS suggest 10% increases on materials

CONCRETE

Concrete Market.

Current Price movements

£3 M3 (Circa 4% on £75mix) from 1st June

July 1st - No current changes - carbon increase still looming

Aug - Environmental Surcharges confirmed effective immediately -
£2.60/M3 on CEM1 and £1.60/M3 on Blended products

Sept - £3.75 increases from Hanson (circa 4-5%)

6 Month Outlook

CO₂ Legislative increases
dependent on out come
of Carbon auction -
between £1.50 an
£3.00/M3 (4%)

Aug - Increase applied
Sept - 5% hanson
increase

12 Month Outlook

Current Cement
Shortages appear
short term. Standard
increases likely to be
requests circa £6 M3.
Typically negotiated
in adv.

Market Drivers

- Global cement demand causing import export imbalance.
- Stronger than estimated covid rebound
- Limited Haulage in some geographies with a lack of ships for cement or lack of drivers to deliver

Availability

Cement Shortages are impacting Concrete and other cement rich products (mortar) causing supply issues in some geographies.

Likely to avliewate in June but could vary by supplier based on planned maintance shut downs

July 1st - Whilst not resolved, indications remain athat cement stocks will improve in the summer

Aug - No significant changes, still anticipated to improve towards the end of the summer

Sept- Competing with the market for Drivers is sporadically affect supply

Mitigations

- Scheduling is critical, demand plan with key suppliers and Subcontractors. Short notice requests are unlikely to be serviced

REBAR

Rebar Market

Current Price movements

May Position

Current rate £760/tn

LME Steel Rebar market May 20 was USD 398. Today it is 742USD

JUNE UPDATE: LME @ \$742p/t - no change.

Recent offers into UK building for known tonnages are in the region of £750p/t for immediate order placement. £790 - £800 for order placement in 1 months time fixed for 12 month call-off.

The price of concrete rebar is up almost 43 per cent on what it was a year ago

AUG - Market rate £820 TN being quoted

Sept - Current market rate £770 - £790

6 Month Outlook

Unclear, considered still rising but exceeding market forecast. Estimate potential 10% increase on current rate.

Sept - market is flattening but no signs of decreasing rates, possibility of slight inc.

12 Month Outlook

Scrap market price escalation is beginning to plateau, price escalation to slow down over longer term. 15%

Availability

Material currently available at a price, though lead times are longer than standard.

HS2 under estimate has added a significant qty to the required volumes in the next year. Securing supply will be important.

Restricted supply perfect environment for faked certifications, be aware.

Sept - lead times of up to 5 weeks being experienced in some subcontractor packages.

NOTE - Mesh supply very sporadic, order early!

Market Drivers

- Escalating Raw material
- Strong Chinese import market reducing volume in the UK market
- Strong domestic European market reducing volume in the UK market
- Global post Covid demand increase
- Global shipping increases
- Carbon Voucher auction uncertainty

Risks

- No long term rate fixes - 12m's max and not always offered.
- No way to tell how close to the top, could be caught with expensive steel
- UK Quotas - though unlikely to exceed they are in place
- High Demand sparking uncertified material

Mitigations

- Link material cost to appropriate indices
- Don't accept material risk
- Secure supply asap to obtain cost certainty - buy on behalf of SC.
- Agree Delivery schedules early
- Review all documentation carefully (CARES)

SOFTWOOD TIMBER

Softwood Timber Market

Current Price movements

May Position

Bi-monthly significant price increases.

June Update

Prices increases of between 40% and 60% reported from merchants on MDF and Sterling Board products - supply extremely restricted.

June price rises between 5% and 25% on other timber products

Aug - The situation remains very unstable with availability and price under pressure

Sept - Price has stabilised this month and standard increases have not been received from

6 Month Outlook

Still rising, unclear on likely magnitude, forward buying by SC is at 'zero cost' i.e. without agreed price

Sept - sideways movements with increase in some products.

12 Month Outlook

Continued price pressure leads to a forecast peak of Spring 2022 - likely 15% from June 21 prices

Market Drivers

- traditional UK stock level depleted due to none replenishment in pandemic.
 - pre-pandemic UK stock level artificially high due to earlier Brexit deal uncertainty stockpiling.
 - Unprecedented DIY usage from Furlough
 - European Sawmills on shutdown/reduced staff levels due to Pandemic
 - European Sawmills now moving into summer shut down periods
 - House building up 30% for first 3 months of 2021 compared to same period last year
 - Some countries implementing 'Log Export Bans' to protect domestic market further hampering supply
 - CA Marking compliance likely to be deferred
- CA Marking has now been deferred to 2023
- America has become an importer of Scandinavian timber, this is driving price pressure here.
 - Forest fires and Tree disease/pests impacting supply particularly in the USA
 - Canada committing to reduce Exports

Availability

Securing supply remains paramount as UK stocks remain very limited.

Carcassing and Fencing are in particular short supply.

Limited and worsening.

Commitment from merchants for requirements beyond July unlikely.

European Sawmills likely to close for summer shutdowns in June/July will further restrict supply.

Mitigations

Delivery schedules must be in place at point of order for full quantum, could be index linked if suppliers cannot hold price.

BRICKS

Brick Work Market.

Current Price movements
Price increase in Jan 2021 av. 2.65%, however Jan 2022 price increase forecast at between 7 - 9%

Aug update - lbstock have announced 10% increase from Nov 1st

6 Month Outlook
Increasing for wire cut (if available) and stable for more expensive imported bricks as stock available

12 Month Outlook
15% increases anticipated from Jan 2021

Market Drivers
Demand is increasing but predominantly from the House Building sector (up 30% first Quarter of 2021 compared to same period 2020) this is meaning 'cheaper' wire cut bricks are in high demand.

Availability
As 'architectural' bricks are usually covered by Factors/Merchants way in advance of production and duly allocated there are less issues here. Stock in Europe for export to UK also remains high. Wire-cut bricks are in limited supply with most large housebuilders failing to secure new stock and consolidating existing provision accross sites to manage supply.

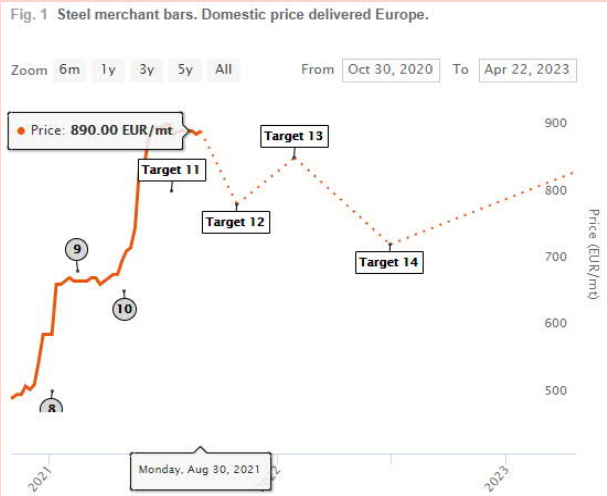
Mitigations
Consideration of bricks stocked in Europe for immediate need.
Early order placement and coverage by Factor key to ensuing supply and price certainty once bricks approved.

STEEL

Structural steel Market

Current Price movements

May Position
Rapid Increases recently
£/ tonne rise: July +£30; August +£30; Nov +£40, Dec +£80; Jan +£50; March +£30; May +£50; May +£100
Total of £410 increase in the last 12 months
June Update
Month increase of av £75pt (British at £80 and Arcelor Mittal a £70)
- Total increase £490/Tn in the year
Aug - No new increases in the period
Sept- No new increases in the period



Risks

- Availability
- Subcontract liquidity for larger purchases, may result in shorter

6 Month Outlook

Unclear, considered still rising but exceeding market forecast. Estimate 15% increase.
Aug - potentially flattening for a period - unclear when reduction will hit
Sept - rates flattening but demand is high and securing material is paramount

12 Month Outlook

Longer term reduction expected towards Summer 2022 as supply catches up with demand.

Availability

British Steel advise material will remain available and recent suspension of orders was temporary. However, the market is very tight and Heavy sections could reduce if manufacturers favour more profitable hollow sections.
Aug - Steel cable management supply availability advised as problematic

Mitigations

- Link material cost to appropriate indices
- Dont accept material risk
- Secure supply asap to obtain cost certainty
- Agree Delivery schedules early

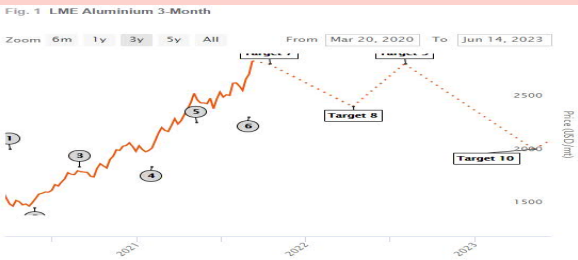
Market Drivers

Aluminium

Structural steel Market

Current Price movements

Price increases recieved from numerous aluminium System suppliers;
Apr/May 5-8% depending on sytem%
July/August 5% - 12% depending on system
Sept- As previously forecast - Raw aluminium rates are now sideways moving with smaller fluctuations and this will take some time to reach the Sub contractors.



Market Drivers

- As with steel (although to a lesser magnitude) escalating material costs were primary driver for first half of year increases.
- There has been a reduction in billet charge however which has lessened the overall magnitude of prices.
- Recent increases in demand as aluminium now being specified in-lieu of 'extensive steel' is likely to result in a further price increase later in the year. Net 30% from January Position.

Risks

- Prices 'held' artificially high by system suppliers post 'normalisation' - to be challenged
- Subcontract liquidity for larger purchases, may result in shorter payment terms

6 Month Outlook

Expect further price increases of 15% towards year end as demand for aluminum increases in favour of steel.

12 Month Outlook

Longer term price pressure should reduce as steel prices come back down. System providers prices should not be held artificially high, challenge required.

Availability

No issues with availability to note as of yet, if demand continues to increase for aluminium as a steel substitute, pressure on demand may be encountered.

Mitigations

- Link material cost to appropriate indicies
- Dont accept material risk
- Secure supply asap to obtain cost certainty
- Agree Delivery schedules early

INSULATION

Insulation Market.

Current Price movements
May Position
Kingspan circa 15%
June Update
10% price increases also received in month (on January numbers) for PIR.
Sept Update
ISOVER, Celotex and Kanuf have all confirmed 10% increases

Market Drivers

- Chemical raw ingredient demand
- Strong global demand reducing exports

6 Month Outlook
10% July 21
September
10% increase - chemical costs increasing so may see more before stabilising

12 Month Outlook

Unclear when Chemical demand will stabilise. Could see further increases.

Availability
Longer lead times than usual but manageable with scheduling

Aug - Kingspan advise 20 Week lead times on some products

Sept - Rockwool have advised shortages and allocations on some product groups

Mitigations

- Scheduling is critical and early ordering

Plasterboard

Plasterboard Market

Current Price movements

May Position

Knauf (6%) and Siniat (3%) implementing increases from June 1st.
No price increase from BG

June update

British Gypsum are announcing price increase from 1st October @7%.

Aug - 6.3% increase on Thermaline products from 1st Sept

Sept - no new changes

6 Month Outlook

7% increase announced from Oct (BG only)
Aug - 6.3% increase on Thermaline products from 1st Sept

12 Month Outlook

No Exceptional increases expected beyond those noted in the next six months.

Market Drivers

- Knauf and Sinait import raw materials and as such more effected by shipping charges
- Global demand has reduced imports
- Increased domestic demand post covid
- Reduced stockholding at merchant level post covid, as quick as it is ordered it is being issued to projects.
- Paper supply has improved for BG and additional investment has been made t secure Haulliers.

Availability

Due to market demand Plasterboard has returned to allocation in June.

Long Lead times and material quota will be experienced. Historically, this is normally in place for approximately 3 months but this has not been confirmed. Allocation likely to continue well in to 2022 now as demand

Mitigations

- Scheduling is critical and early order placement in the supply chasin as distributors have limited stocks based on previous stock requirements

Metal Stud

Metal Stud Market.

Current Price movements

May Position

Increase between 12% and 15% in March on all steel products

June update

BG Oct price increase annouced of 22% on all metal studs (this isnt on top of earlier reported gains)

Purlins and decking forecast to also increase by similar amount in Q3/Q4 by 15% to 21%

Aug - no new updates

Sept - No new Increases advised

6 Month Outlook

Potential peak reached - Side ways movement in the Kairos Price forecast. Decrease in cost will take some time to hit the market as materials secured in advance and Deman dremins Strong.

12 Month Outlook

Cold Rolled Coil price leveling out and declining over longer term - no January Price increases expected beyond those announced to date.



Market Drivers

- Responding to escalating Steel cost
- Prices in an extreme bubble - Kairos
- Increased domestic demand post covid
- Especially bouyant House builder environment
- Reduced stockholding at merchant level post covid, as quick as it is ordered it is being issued to projects.
- Tariffs on exporting scrap (Russia)

Availability

Leadtimes curently at 6-8 weeks and availability on some sections are limited. Raw Material supply is unpredictable leading to certain prducts not being manufactured when sheduled

Mitigations

- Sheduling is critical
- Stay Close to the distributor, Sub contractor and Manufacturer for project

Risks

- Potential further allocations and longer lead times

SHIPPING

Shipping Market

<p>Current Price movements</p> <p>May position Increase continues; - current 20ft container price from China circa May USD7000, Jan 21 circa USD4000, Sept 20 USD1100</p> <p>June updates Shipping rates from China remain at May levels. September - 18000USD China to UK</p>	<p>6 Month Outlook Flat no further increases or decreases anticipated in the period.</p>	<p>12 Month Outlook Likely to level and decrease slowly - not clear that Sept 20 prices will be achieved again</p>
<p>Market Drivers</p> <ul style="list-style-type: none"> - Containers are still not 'where they should be' post Pandemic - stuck in ports, used to stockpile materials or being shipped empty - estimated 5.5% of all ocean capacity is currently waiting outside a port. - Current increasing demand also driving up prices - Small additional cost around due diligence post brexit but likely minimal. - Significant port restrictions/closures remain, along with container shortage – some ships taken offline due to reduction in manufacturing levels. Not a quick thing to put back in service, market waiting for manufacturing levels to 	<p>Availability Lumpy due to container locations and Haulier availability for transporting across EU boundary Reported UK driver shortage of approx 45,000 hampering this further.</p> <p>Mitigations Consider domestic supply chain Factor in Shipping cost and delay</p>	

DIESEL

Diesel Market

Current Price movements

65 % increase per L Since last year on Brent Crude Oil rates
Aug - current rate 0.61ppl. removal of Diesel Duty next april will significantly increase costs
Sept - Price holding 61p per L

Brent Crude Oil forecast for 22



6 Month Outlook
Short term Side
ways movement
from current price

12 Month Outlook
Crude oil forecast circa 20%
decreas in 12 month period
on commodity.

Aug - form April 22
duty rebate not
avaliable - rate to
increase to circa £1.10
(hence 'Red' Outlook)

Availability
- Currently sourcing HVO alternative in line
with changing Duty requirements for Red
Diesel.

Market Drivers

- Global Crude Oil volatility and demand as consumption increases
- Increased use of HVO as diesel tax rebate reduced next year

Mitigations

Consider HVO alternatives
Aug - Eligible Diesel uses of HVO alternatives are still eligible for duty rebates. The schedule of uses has not been finalised by the gov. yet but will include energy generators reducing cost to 65ppl

AGGREGATES

Aggregates Market.

Current Price movements
Single Size £1.40/TN
Sub base £1.10/TN
Circa 8% from Jun 1st 2021
July 1st - No further notification of increases in the period
Aug - No Significant change in period
Sept - No Significant change in period

6 Month Outlook
Non scheduled but could respond to increasing demand leading reduced availability of hauliers

12 Month Outlook
Expect Typical Annual increase next year in line with those seen here 5-8 %

Market Drivers
- Large Scale infra structure projects providing strong demand HS2
- Haulier availability affected post brexit due to labour

Availability
Regional supply can be lumpy dependng on product specification and haulage operators in the local.
Sept - No change - HS2 remains significant supply demand fro both material and Drivers.

Mitigations
Deliver schedules must be in place at point of order for full quantum, could be index linked if suppliers cannot hold price.

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Development Sub Committee

Appendix 3

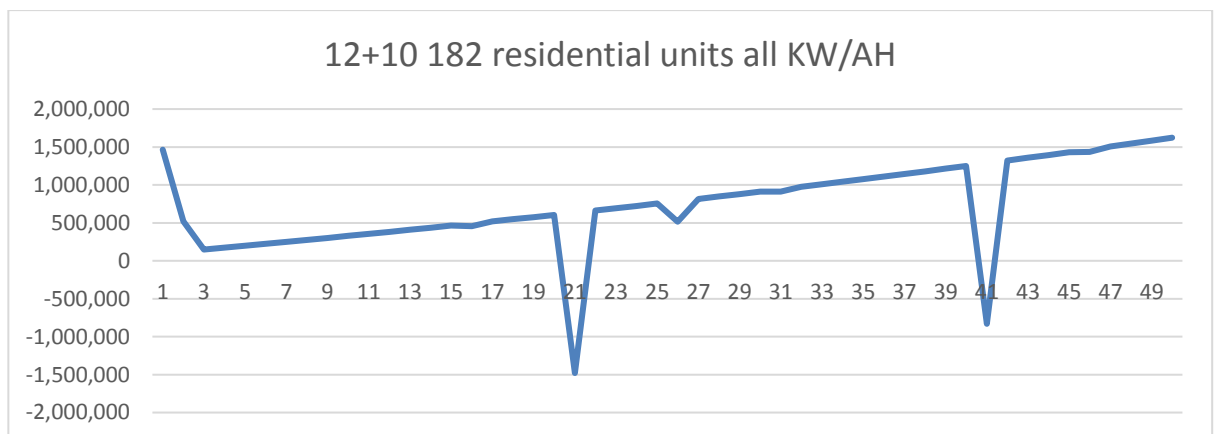


Knowle Green Estates (KGE) Rental Viability Analysis for Oast House based on 182 apartments 12+10 storeys

Monday 5 April 2022

1. Executive Summary

- 1.1 The above project is financially viable meaning that KGE will be able to meet all its liabilities as they fall due and therefore there will not be a future need for the Council to provide subsidy which might require service spending cuts elsewhere, and reflects the revised capital cost, taking into account recent construction inflation trends, for construction and the change in footprint for the commercial property and its reduced footprint.
- 1.2 The chart below shows the annual cash inflows and (outflows) for the next first 50 years of the project:



2. Officers have prepared the viability report below key issues

- 2.1 The Development Sub-Committee requested that each development goes through a viability study.
- 2.2 Officers have not entered into any speculation as to the closing value of the property valuations through professional valuers, however, based on extrapolation and taking into account past growth in the residential property market, the Oast House Residential units, duly maintained, could be worth between £150m and £250m in 50 years' time.
- 2.3 The projections indicate that, including componentisation of various parts of the building, the project has a positive outcome and placed Spelthorne Borough Council, as the sole shareholder of KGE, in a strong position, enabling them to consider and formulate a strategy based on strong net positive cashflows over the period, to regenerate the Borough. Equally this will help give the Board of KGE assurance that they are able to accept receipt

of transfer of the proposed scheme without undermining the viability of KGE as a company.

- 2.4 A word of caution, construction materials and labour costs have significantly increased over the last few months and if this trend continues, it could have a significant impact on this project, which is one reason why officers do not feel there is any further scope to reduce the scale of the residential scheme.
- 2.5 The original projections agreed by the KGE Board in June 2021:
- (a) Showed a higher market rental for the apartments in Oast House, compared to this viability report, with income reducing by 8%
 - (b) Did not account for the £37m contribution from the NHS Cavel Centre, which has seen a 32% reduction in our borrowing and repayment requirements.
 - (c) Indicate that when the depreciation charge (it is not tax allowable) is added back for tax purposes, KGE will be making profits which will be subject to Corporation Tax, currently 19%.