

# Council House Building Programme - Warren Lane depot full budget approval

## Housing Committee Thursday, 14 September 2023

Report of: Chief Finance Officer (Section 151)

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Purpose: For decision

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Publication status: Unrestricted

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Wards affected: Oxted South

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### Executive summary:

This report seeks approval for a full budget for the scheme at the Warren Lane depot site, Hurst Green. This scheme involves re-designing the existing depot site to rationalise it and free up approximately half of the space to develop up to 22 homes for families on our housing register.

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**This report supports the Council's priority of:** Creating the homes, infrastructure and environment we need.

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### Recommendation to Committee:

It is recommended that:

- A: Officers prepare detailed proposals for the development of the Warren Lane depot site in Hurst Green for a mix of 2 and 3 bed houses for affordable rent and submit a planning application to develop the site and approve a budget of £9,937,406.00 for the project;

- B: Authority be delegated to the CEO in consultation with the Council's Leadership (as detailed in Standing Order 46 of the Council's Constitution) to procure and award a contract for the proposed development to the most economically advantageous tenderer, subject to the outcome of the planning process and construction costs being within the approved budget;
- C: The above approval to proceed includes the appointment of other specialist consultants and surveyors to act for, or advise, the Council and the commissioning of necessary reports to take the schemes forward through to completion, all subject to the Council's Standing Orders and Financial Regulations.

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## **Reason for recommendation:**

The recommendations support one of the Council's key strategic objectives and seeks to address in part the district's need for affordable rented housing.

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## **Introduction and background**

- 1 The Warren Lane depot site was an allocated site under the Local Plan 2033 with an estimated yield of 50 homes once the depot and its operations had been relocated. In 2018 a review was carried out by Asset Management to relocate the depot and an alternative site was not found.
- 2 A property adjacent to the depot site, 122 Mill Lane, was purchased on the open market in 2021 to provide an alternative access point (once demolished) to the depot. This means that part of the site can be redeveloped whilst the depot can continue to operate on the other part.
- 3 The depot is currently used by Biffa, under lease, for refuse/recycling truck parking, refuelling and cleaning. It is also used by the East Surrey Rural Transport Partnership (ESRTP), by way of a lease, for parking and office space. There is office space and meeting/welfare space for Council staff (depot, building maintenance, street cleansing staff etc). To free up approximately half the site for housing, the depot site has to be rationalised to make better use of the space. This will involve some demolition of buildings, consideration of office space for Council depot based staff (either from conversion of an existing building, temporary/modular provision or from relocation) and a re-design of the site to ensure adequate parking.
- 4 The Council appointed architect's design is for 22 family houses with associated parking and landscaping.
- 5 In June 2022 the Committee approved a budget for pre-application work of £80,000 and for the appropriation of the land for planning purposes to commence.

- 6 Feasibility work has been underway and architects, employers agent and a multitude of specialist consultants have been appointed. A meeting with the pre-app Planning Officer has been held and was largely positive.
- 7 The site is a complex and challenging site to develop. The land area available to develop is of an awkward shape which limits design options. There are a number of significant abnormal features which will incur a cost to remedy and mitigate. These include the diversion of a foul sewer pipe and a culvert, the demolition of three buildings, dealing with the contamination of the land, potentially the proximity of the wastewater treatment plant, the redesign of the depot site in order to free up land for the development and for ecological mitigation. The Council has engaged consultants to work on these issues and await their full recommendations and designs.
- 8 The land at the depot forms part of the General Fund and the HRA will need to reimburse the General Fund for a value to be determined once the site evaluations are complete. This will have a net benefit on the General Fund borrowing costs.
- 9 The budget cost calculated includes broad estimated costings for the above abnormals, a contingency and a land acquisition cost. With these figures the scheme is marginally viable, showing a neutral net present value at an assumed interest rate of 4.75%. The estimated abnormal costs impact on what is feasible to pay for the land, however if these costs prove to be less, it will enable a higher figure available for land purchase. We will be bound by a red book valuation on the land acquisition cost, but the valuer will also be taking the abnormal costs into account. Once the abnormal costs have been fully quantified, the decision to proceed with the scheme may need to be revisited if the financial appraisal deteriorates.
- 10 When we have the red book valuation for the land, we will seek approval for the transfer of land from the General Fund to the Housing Revenue Account from the Strategy and Resources committee.

### **Other options considered.**

- 11 The other option would be to discontinue work on this project. There would be abortive costs of between £60-£70,000 for work commissioned to date. An alternative site for 22 units (10% of the development programme) would have to be found, and there are limited options for development within the council's land holdings.

### **Consultation**

- 13 Ward members have been consulted.

- 14 Before the full planning submission we will hold a public consultation meeting to gather feedback from local residents and make any changes as necessary, this is likely to be in September/early October.
- 15 We continue consulting with users of the depot as the project progresses and with colleagues in Asset Management, Localities, IT and Housing.

## **Key implications**

### **Comments of the Chief Finance Officer**

The proposed budget of £9.9m has been included in the Council's capital programme allocation for Council House Building. Approving the budget will allow officers to progress with the scheme, however the decision will need to be kept under review as the abnormal costs are quantified in order to ensure that the decision to proceed remains correct.

There is a risk in incurring further costs in light of this uncertainty, however as set out above, there are limited alternate sites for a development of this scale and the opportunity to deliver it should be pursued to the extent that it remains viable.

### **Comments of the Head of Legal Services**

Full title reports have been provided to ensure the land is free of any covenants or other legal matters that could impact the development of the site. Advice from Legal Services has been sought for entering contracts with consultants, contractors and will continue to be sought for other contractors. Officers in Legal Services also assisted with the appropriation of land from the General Fund to the Housing Revenue Account. Advice will be needed from Officers in Legal Services to ensure compliance with relevant legislation and any other legal issues arising during the redevelopment of the site.

All procurement must be undertaken in compliance with The Public Contracts Regulations 2015 and the Council's Contract Standing Orders.

### **Equality**

Equality impacts will be monitored as the housing programme progresses. This is to ensure that the Council's statutory commitments to promoting equality and inclusion and tackling inequality are maintained. The delivery of these homes within this programme will support the delivery of the Council's vision to creating homes and meeting the needs of protected characteristics.

New housing developed reflects the housing priorities at the time it is conceived, is designed to mitigate against fuel poverty, be mobility friendly and be of a size sufficient to promote working from home. One of the units on the site is a 3 bed house designed to wheelchair standards.

## **Climate change**

17. The new housing will achieve the Council's adopted target of Net Zero Carbon (operational) and the developments will seek to mitigate biodiversity loss including the planting of new trees in accordance with the Council's Compensatory Tree Planting Scheme.

## **Appendices**

None

## **Background papers**

None

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