

## CABINET

20 March 2018

<b>Title:</b> Development of former Sacred Heart Convent, Goresbrook Road, and former Weighbridge Site, Cook Road, Dagenham	
<b>Report of the Cabinet Member for Finance, Growth and Investment</b>	
<b>Open Report with Exempt Appendix 1</b> (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended)	<b>For Decision</b>
<b>Wards Affected:</b> Thames & Goresbrook	<b>Key Decision:</b> Yes
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<b>Accountable Strategic Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary</b> <p>The Council completed the purchase of the former Sacred Heart Convent in May 2016 and further approved the delivery options and funding requirements in February 2017 for a conversion and new build scheme to provide temporary accommodation. The viability assessment at that time showed a small saving to the General Fund over the cost of other forms of temporary accommodation. The approval required the former Regeneration team to review this with the aim of improving this position, looking at a possible uplift in unit numbers, subject to planning and a review of costs and income.</p> <p>This review has been completed and it confirms that the base unit numbers, acceptable in planning terms in the February 2017 report of 62 temporary accommodation units is appropriate and unlikely to be exceeded on this site. The review also updated the appraisal to take into account a reduction to the Local Housing Allowance (LHA) room rates for temporary accommodation and a rise in build cost inflation. This reduced the small amount of savings to the General Fund to a barely breakeven point.</p> <p>The Be First Gateway Panel reviewed this position and proposed to the Council's Investment Panel that it bring forward an alternative Affordable Rent scheme for the Sacred Heart Site and use a further Investment Programme site at the ex-DVLA Weighbridge for maximising the provision of Temporary Accommodation.</p> <p>This report sets out these proposals and the delivery and funding requirements as part of the approved Investment programme and seeks approval for Be First to negotiate all the necessary appointments and contracts.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p>	

- (i) Agree the conversion of the former Sacred Heart Convent site to provide circa 9 apartments and the construction of circa 17 new build houses in the surrounding grounds with associated car parking and amenity areas;
- (ii) Agree to use an existing entity within the Barking and Dagenham Reside structure (or the establishment, if required, of a new Special Purpose Vehicle within that structure) to hold the properties at the former Sacred Heart site;
- (iii) Approve borrowing of up to £6.1m within the General Fund to fund the refurbishment and construction costs of the affordable housing project;
- (iv) Agree to allocate £2m restricted Right to Buy receipts, if required, to fund the construction and professional fees to support the financial viability of the affordable housing project;
- (v) Approve the development of the former DVLA Weighbridge site to provide circa 96 homes for use by the Council's Temporary Accommodation service as licenced accommodation, to be held in the General Fund;
- (vi) Approve borrowing of up to £7.714m within the General Fund to fund the development costs for the temporary accommodation project;
- (vii) Delegate authority to Chief Operating Officer, following endorsement by the Procurement Board, to approve the final procurement strategy for the project works;
- (viii) Delegate authority to the Chief Operating Officer, in consultation with Director of Law and Governance and the Cabinet Members for Finance, Growth and Investment and Economic and Social Development, to negotiate terms and agree the contract documents to fully implement and effect the proposals set out in the report; and
- (ix) Authorise the Director of Law and Governance, or an authorised delegate on her behalf, in consultation with the Chief Operating Officer, to execute all the legal agreements, contracts and other documents on behalf of the Council.

**Reason(s)**

The recommendations for this report contribute to the dual Council Priorities of 'Growing the Borough' and 'Encouraging civic pride'. The initiative is consistent with the specific objectives of (i) building new housing and sustainable communities; (ii) supporting investment in housing and open spaces to enhance the environment and (iii) helping residents shape their quality of life.

## **1. Introduction and Background**

- 1.1 The Council completed the purchase of the former Sacred Heart Convent in May 2016 following approval by Cabinet on 19 April 2016 (minute 127) and confirmed that a further report would be presented to agree the development options and

funding requirements for the proposals. A further report was submitted to Cabinet on the 13 February 2017 (minute 102) seeking approval for funding from the General Fund, to convert the current building and deliver additional new build to provide between 62 and 80 units for Temporary Accommodation and conversion of the existing Chapel to provide a social enterprise space. The report noted that further design development would be undertaken to attempt to maximise the number of units and provide the higher levels of savings to the General Fund.

- 1.2 Peter Barber Architects were appointed to undertake the design for the conversion and new build along with associated car parking and landscaping and were briefed to complete studies to increase the unit numbers subject to planning considerations. This work concluded that the number of units had already been maximised and that the base scheme of 62 units (conversion and new build) was confirmed by Planning as the appropriate scale, layout, and massing for the site.
- 1.3 During the development of this project the responsibility for delivery has transferred to Be First and this project as part of the Councils Investment Programme and Be First's Business Plan has been taken through the agreed Gateway Panel Sign off procedure. As part of this process further viability assessments have been completed that confirm once the reduction to the LHA room rates and a rise in build costs is factored in the amount of savings to the General Fund has been reduced to a marginal/breakeven point.
- 1.4 The Development team were charged by the Gateway Panel to look at again at the development options for this site, for Affordable Rent provision and prioritise the delivery of a further Investment Plan site at the ex DVLA Weighbridge for maximising the provision of Temporary Accommodation.
- 1.5 Peter Barber Architects have completed an outline study for the provision of Affordable Rented homes at Sacred Heart based on the current massing and layout for the new build and a sympathetic conversion of the existing building. This confirms that 26 units can be provided at an approx. cost of £8.1m, £6.1m from GF Investment Programme borrowing and circa £2m from the Councils restricted RtB receipts, if required, to support the affordable housing to be developed.
- 1.6 The vacant former DVLA Weighbridge Site which is owned by the Council was included in the report to Cabinet on 19 April 2016 (Minute 101) which identified a number of Infill sites and it was noted in this report that this could be a possible site for temporary accommodation use. The Development team have conducted a full feasibility and viability analysis for this site and concluded following reviews with the Planning Team that it could provide up to 96, one and two bed modular / containerised units, with staff offices, car parking and landscaping. The cost for this provision has been estimated at £7.9m by utilising containerised / modular construction and at this cost modelling indicates a general fund saving of £419,000 per annum. The modelling has been completed over a 40-year period being the estimated life of the development.

## **2. Proposal and Issues**

- 2.1 On 15 November 2016 (Minute 63), the Cabinet approved the Council's Homelessness Strategy. That report asked Cabinet to note the severity of the current position regarding demand, supply, and costs of dealing with the Council's

statutory duties regarding homelessness in the Borough. It further approved the proposed strategic approach and corresponding actions outlined in the report, aimed both at reducing homelessness demand in the Borough and at improving the Council's capacity and capability to manage the needs of those who are accepted as homeless.

- 2.2 The proposals for provision of Temporary Accommodation at the Weighbridge site along with a number of other sites in the Investment Programme portfolio are the combined response to facilitating more cost-effective ways to reduce the increasing financial burden upon the local authority and improve both the quality and quantity of accommodation available to families requiring assistance with re-housing.
- 2.3 The Weighbridge site has been vacant for several years and is within the ownership of the Council. The site has no planning classification and there are no third-party issues to consider on this site. Planning permission was granted to RCCG Living Faith Church to erect a temporary building to be used as a church (17/00267/FUL). The church has, however, signed a lease to use a unit at 26 Thames Road, Barking as a church.
- 2.4 To recap and summarise, the former Sacred Heart Convent site consists of a locally listed 1930s three-storey neo-Georgian constructed building set within a 40,000 sq. foot landscaped site. Benefiting from distinct features including two large Mock Doric framed entrance doors, a hip tiled roof crowned by a cupola and a chapel located to the ground floor, Sacred Heart is one of only 133 buildings of local architectural or historic interest within the borough.
- 2.5 In view of the above any future use of the building and adjacent garden areas must ensure it respects the key heritage features of the building, its wider setting within the streetscape and its cultural significance as a local convent mission for the community. The internal features of the building will be retained in the conversion to 9 apartments for affordable rent and the a design of the houses will be sympathetic to the existing building and the context of the site.
- 2.6 The key scheme information for both projects is set out in the table below

	Sacred Heart	Weighbridge
Site area	0.436ha	0.64ha
Number of proposed units	26 Units – 9 apartments and 17 Houses	96 Units
Parking	22	40

### **3. Ownership structures – Reside and General Fund**

- 3.1 The completed Affordable Rent units at Sacred Heart are proposed to be held within B&D Reside. A Special Purpose Vehicle (SPV) would own the units and be responsible for the management and maintenance of all the rented homes. All management, maintenance and life cycle costs are included in the financial appraisal under which the Reside entity would operate the units.
- 3.2 The SPV delivery structures are established by the General Fund on a case by case basis to provide housing which is in the general economic interest and not ordinarily

provided by the Housing Revenue Account. This provides the Council with greater flexibility to help meet wider housing need and to assist generally in the regeneration and economic well-being of the area.

- 3.3 The Sacred Heart Site is currently held in the General Fund, so no appropriation of the site is required to develop it for this purpose.
- 3.4 The Temporary Accommodation Units proposed to be developed on the Weighbridge site would be held within the General Fund and managed and maintained by My Place and Community Solutions. This purpose built accommodation will be designed with the input of Temporary Accommodation Team to ensure that all the needs of the residents have been considered along with a layout and specification that allows for easy maintenance and repair of any fixtures and fittings.

#### **4. Consultation**

- 4.1 Weighbridge Temporary Housing - Consultation has taken place with internal stakeholders including directors, senior management and senior officers within Housing Advice, Housing Strategy, and finance to establish the projects viability, feasibility and to progress both the design brief and specification of works.
- 4.2 The site is adjacent to a small number of current HRA homes in Richard Ryan place built as part of the Councils original HRA new build programme, Cherry Orchard Care Home, Dagenham Leisure Park and the Goals 5 a side football venue. Consultation with the residents will be completed to gain feedback and comments on the proposals prior to the formal planning consultation.
- 4.3 The Sacred Heart further design development will be subject to further Ward Member, stakeholder, and community consultation. The planning consent gained by the previous owners of the property was subject to several objections from residents and to mitigate this for future applications the intention would be for early consultation with the community prior to the formal planning consultation.

#### **5. Financial Modelling Assumptions**

- 5.1 The key outputs from the Sacred Heart Appraisal are contained in Appendix 1. This information is in the exempt section of the agenda as it is commercially sensitive and the public interest in maintaining the exemption outweighs the public interest in disclosing the information – relevant legislation: paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

#### **6. Delivery and procurement options**

- 6.1 As the proposal for both sites exceeds a total cost of £3m in line with the council's procurement rules this contract will be tendered. It is intended to tender the proposal via the council framework of contractors for contacts over £3m. This framework has been through the OJEU tender procedures. The framework has 6 contractors that will be invited to tender for the contact and this will then be appraised by officers from Be First.

- 6.2 For Sacred Heart both the refurbishment and the new build development be undertaken as one project, to one contractor. The table below details the proposed procurement route for both projects with the reasons for this approach and a note of the other options considered.

<b>Project</b>	<b>Procurement Route</b>	<b>Reason</b>	<b>Other Options Considered</b>
<b>Sacred Heart Convent Refurbishment to provide 9 apartments &amp; New Build 17 Houses</b>	New Build Housing Framework Agreement (two stage tendered using Design and Build JCT contract).	It is recommended this scheme is procured through the Current New Build Housing Framework Agreement as the works required to both the new build and the existing building can be delivered using this framework	To tender the works outside of the Housing Framework Agreement. This option was discounted due to the additional time required which would affect the delivery programme.
<b>Weighbridge delivery of the 96 containerised/modular units</b>	New Build Housing Framework Agreement (two stage tendered using Design and Build JCT contract).	It is recommended this scheme is procured through the Current New Build Housing Framework Agreement as the works required to both the new build and the existing building can be delivered using this framework	To tender the works outside of the Housing Framework Agreement. This option was discounted due to the additional time required which would affect the delivery programme.

## 7. Financial Implications

Implications completed by: Katherine Heffernan, Finance Group Manager

- 7.1 The report covers two proposed developments; the conversion of the former Sacred Heart Convent into 26 residential units and; the provision of 96 containerised modular units on the former Weighbridge site. Each of the proposals have separate financial implications as detailed below:

### 7.2 Former Sacred Heart Convent.

- 7.2.1 The previous proposal to convert the site into 62 temporary accommodation units is no longer viable following the reduction in the Local Housing Allowance (LHA) room rates and a rise in build cost inflation. Consequently, an alternative proposal has been brought forward for consideration.
- 7.2.2 The provision of 26 residential units is now proposed and these will be Affordable Rent units to be held in one of the existing Reside SPV Structures. The total cost of construction has been estimated to be £7.2m, £2.0m of which may be funded from Right to Buy receipts, the balance will be funded from borrowing.
- 7.2.3 The annual cost of borrowing in the first 10 years will average £168k and over the same period the average management, maintenance and life cycle costs will be £120k making a total annual cost of £288k. The average annual rent that will be received over the same ten-year period will be £363k making an average annual surplus of £75k.

7.2.4 In subsequent years, as the balance of the outstanding loan diminishes, and the interest payments reduce, annual surpluses increase considerably. The loan is scheduled to be repaid after 30 years.

### 7.3 **Weighbridge Site**

7.3.1 The proposal for this site is to provide up to 96, one and two bed modular/containerised units, with staff offices, car parking and landscaping. The cost for this provision has been estimated at £7.714m which will be funded from borrowing.

7.3.2 The annual cost of interest from such a loan based on an interest rate of 3% would be £230k and if the loan was to be repaid over a period of 40 years annual repayments of the principal would amount to a further £190k. Management and premises maintenance costs would amount to a further £480k per year, making a total annual cost of £900k.

7.3.3 The annual rent income that is likely to be received from the 96 units is estimated at £810k and, therefore, the site is likely to incur an annual deficit of £90k.

7.3.4 The cost, however, of placing the 96 people in short term temporary accommodation such as bed and breakfast or nightly let's would be in the region of £417k per year so the proposal to provide modular/containerised units will offer a more cost-effective solution.

## 8. **Legal Implications**

Implications completed by: Paul Field and Bimpe Onafuwa, Legal Services

8.1 The report proposes a change from the development approved by Cabinet in February 2017. The use and type of accommodation of the Former Sacred Heart building has been changed. Furthermore, this report has a key difference is the inclusion of the former Weighbridge Site into consideration.

8.2 Both will involve fresh planning applications. The Sacred Heart Site will have 9 flats within the existing building and 17 new homes constructed within the site. The Weighbridge Site is proposed to have 96, one and two bed modular/containerised units for use as temporary accommodation under the Housing Act 1996, with staff offices, car parking and landscaping. It is a considerable increase in the temporary accommodation offer under the 13 February 2017 proposals. As the use is for temporary accommodation it will be within the general fund and there will be no right to buy entitlement.

8.3 This report is also seeking approval for the procurement of works for the conversion of the former Sacred Heart Convent, the construction of new build houses on the premises of the Convent, and the development of the former DVLA Weighbridge site.

8.4 Clause 6.2 states that the procuring directorate intends to procure the works by way of a call off from the Council's New Build Housing Framework. While it is possible, under the Public Contract Regulations, to call off valid framework agreements, in

doing so there is a requirement that the process be transparent, non-discriminatory, and fair. Further information should therefore be provided to the Procurement Board on how the tenders will be evaluated and awarded.

- 8.5 The Law and Governance Team is available to provide advice on the development of the strategies and procurement of the contracts.

## 9. Other Implications

- 9.1 **Risk Management** - Risks associated with the construction of the new development will be fully scoped and managed through the construction contracts and any additional contracts to appoint design and professional services team.

- 9.2 **Contractual Issues** - The LBBB Housing Contractor Framework would be used to Tender for and appoint a main contractor and all associated design consultants via a JCT contract arrangements.

### 9.3 Staffing Issues

- 9.3.1 **Project Delivery:** The delivery of the both projects will be undertaken by Be First for the agreed development management fee that covers all staff costs.

- 9.3.2 **Temporary Accommodation Staffing** - The full operation of the Weighbridge project once open will require a Hostel Manager at 0.17 FTE, a full-time Team Leader and 2 full-time Housing Support Officers. These staff costs, along with associated security costs, have been included in the financial appraisal.

- 9.4 **Corporate Policy and Customer Impact** - The development of these under-utilised sites will contribute to the Council Priorities of 'Encouraging Civic Pride' and 'Growing the Borough'. Regarding the latter, the proposals in this report are consistent with the objectives for building new housing and sustainable communities. Current and future projects concerning the council's temporary accommodation stock require contractors, suppliers, and other project team members to be mindful of, and responsive to the needs of all residents regardless of background and circumstances. Whilst these sites are under construction local engagement will be undertaken to ensure that disruption to neighbouring residents is minimised and they are fully aware of the site contacts etc in case of emergency. Contractors are required to demonstrate a commitment to supporting the Council's own teams in implementation of high quality customer care.

- 9.5 **Safeguarding Children** - Design Development undertaken on all new projects by Be First will into consideration needs of local communities with a focus on creation of accessible spaces that allow for freedom of movement and will benefit the local and wider communities including children. The development process will explore opportunities to introduce new or improve existing play facilities and create safer walking routes to schools.

- 9.6 **Health Issues** - There is a large body of evidence that improvements to housing quality can improve health and wellbeing outcomes for its residents. The link between poor housing and ill health has long been established and this is now clearly acknowledged by central government in their vision for the future of Public Health in England.

- 9.7 **Crime and Disorder Issues** - Section 17 of the Crime and Disorder Act 1998 places a responsibility on councils to consider the crime and disorder implications of any proposals. The proposals set out in this report will help make the areas safer by improving the quality of the environment, creating safer more natural surveillance for public areas and pedestrian routes. All new developments will fully meet the requirements for Secured by Design accreditation.
- 9.8 **Property / Asset Issues** – The Weighbridge site has been in ownership of the Council for many years and has been recently released by the DVLA who leased the site as use for a Vehicle Weighbridge. The Sacred Heart site was purchased by the Council in May 2016 for £2.7m. The proposals in this report will increase the Council's income producing asset base directly in the General Fund and indirectly within B&D Reside.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:**

- **Appendix 1** – Financial Modelling Assumptions (Exempt document)