

To: All Members of the Council

Ben Bix, Democratic Services Manager

Legal & Democratic Services

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Date: 18 August 2023

Dear Councillor

EXTRAORDINARY COUNCIL MEETING - TUESDAY, 29 AUGUST 2023

AN EXTRAORDINARY MEETING of the WAVERLEY BOROUGH COUNCIL will be held in the COUNCIL CHAMBER, COUNCIL OFFICES, THE BURYS, GODALMING on **TUESDAY, 29 AUGUST 2023** at **6.15 pm** and you are hereby summoned to attend this meeting.

The Agenda for the Meeting is set out below.

Yours sincerely

Susan Sale,
Executive Head of Legal & Democratic Services & Monitoring Officer

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AGENDA

1. **APOLOGIES FOR ABSENCE**

The Mayor to report apologies for absence.

2. DECLARATIONS OF INTEREST

To receive from Members, declarations of interest in relation to any items included on the agenda for this meeting in accordance with the Waverley Code of Local Government Conduct.

3. HRA - NEW BUILD HOUSING DELIVERY - CHIDDINGFOLD (Pages 3 - 16)

The Executive recommends to Council that:

an allocation of an additional £402,332 budget from reserves be approved to enable the delivery of 26 new homes in Chiddingfold.

4. EXCLUSION OF PRESS AND PUBLIC

If necessary, to consider the following motion, to be moved by the Mayor:

That, pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of any matter on this agenda on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 100I of the Act) of the description specified in the appropriate paragraph(s) of the revised Part I of Schedule 12A of the Local Government Act 1972 (to be identified at the meeting).

Waverley Borough Council

Report to: Council

Date: 29 August 2023

Ward(s) affected: Chiddingfold.

Report of Director: Place

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Executive Portfolio Holder: Councillor Nick Palmer

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Report Status: Open

New Build Housing Delivery - Chiddingfold

1. Executive Summary

- 1.1 The purpose of this report is to seek formal approval to enter into a contract for the demolition of existing and delivery of 26 new homes across five sites in Chiddingfold.
- 1.2 Members have already considered and approved the business cases for and delivery of these homes and full project budget at a meeting of Full Council on 13 December 2022. However, progression of construction design, the provision of information from the utility companies and other work to de-risk the project, additional budget is required to ensure that the contingency is in place when we enter into contract. The scheme remains financially viable.

1.3 On 1 August the Executive approved the following recommendations:

- i. Entering into a contract with the preferred contractor Feltham Construction Limited for the delivery of the works.
- ii. Giving delegated authority to the Executive Head of Legal and Democratic Services to approve the final form of any legal agreements and to Strategic Director (Place) to enter into the JCT Contract.
- iii. Giving delegated authority to the Strategic Director (Place) to approve pre contract agreements with the preferred contractor to enable the development of the project and authorise spend in accordance with the budget.
- iv. Giving delegated authority to the Strategic Director (Place) to enter into any related contractual documentation (including collateral warranties or agreements) relating to the project.
- v. Giving delegated authority to the Strategic Director (Place) to enter into any ancillary agreements related to the project provided that these are within the project budget.
- vi. The sale of five shared ownership homes to be delivered on the Chiddingfold sites with the Executive Head of Housing Services in consultation with Portfolio Holders for Housing (Delivery and Operations) to approve the final terms of such sales having regard to market value and giving the Executive Head of Legal and Democratic Services authority to approve the final form of the sale agreements and any ancillary related legal agreements.
- vii. Giving delegated authority for Executive Head of Housing Services in consultation with Portfolio Holders for Housing (Delivery and Operations) to approve the future sale of percentage shares.

2. Recommendation

- i. The Executive recommend to Full Council that an allocation of an additional £402,332 budget from reserves is approved to enable the delivery of 26 new homes in Chiddingfold.

3. Reason for Recommendations:

- 3.1 The Executive and Full Council have previously approved the Business Cases for each of the five sites and the recommended authority is required to enter into the contract with a build contractor and approve additional budget to facilitate delivery of the new homes on these sites through one JCT Design and Build Contract. Through delivery of the project there may be a requirement to enter into project related contractual documents or ancillary agreements.
- 3.2 The Waverley Corporate Strategy 2020-2025 sets out the Vision and Strategic Priorities for the Council. One of the strategic priorities is to 'provide good quality housing for all income levels.'
- 3.3 Build More, Build Better, Build for Life Affordable Homes Delivery Strategy 2022 – 2025 sets out the Council's commitment to build homes to buy or rent for households from all income levels. The strategy has been supported by evidence studies including the Waverley Housing Affordability Study 2021.
- 3.4 Delivery of 26 homes at Chiddingfold including five shared ownership homes meets these priorities and commitments.

4. Exemption from publication

- 4.1 Part Exempt – Open Report / Exempt Annexe

Note pursuant to Section 100B(5) of the Local Government Act 1972

This report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

5. Purpose of Report

- 5.1 To obtain Executive approval for additional budget and to enter into a JCT Contract with a build contractor to facilitate delivery of the 26 new homes.

6. Strategic Priorities

- 6.1 Affordable housing is central to community well-being. It is consistent with the Council's [Corporate Strategy 2020 – 2025](#), strategic priority to deliver 'good quality housing for all income levels and age groups' and 'effective strategic planning and development management to meet the needs of our communities.'
- 6.2 This project aims to increase the number of affordable homes available for those that are in housing need and registered on the Council's housing register.

7. Background

- 7.1 Members have already considered the business case and supporting appendices for the five sites in Chiddingfold and approved the delivery of the homes and full project budget for each site at a meeting of Full Council on 13 December 2022 however a summary of proposals for the scheme which has continued since then is set out below with further financial information in Exempt Annexe 1.

8. Housing tenure

- 8.1 The affordable homes on the sites will have a tenure mix of 21 homes for rent at Waverley rent levels and 5 shared ownership homes. The Waverley rents are as set out in the table below.

Property size	% Open market rent
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2 bed	70
3 bed	65

- 8.2 Some of the rented homes will be allocated to tenants who have decanted on a temporary basis and will return to a new home and the remaining homes will be advertised on HomeChoice the Council's online system for allocation of homes.
- 8.3 Of the affordable home ownership options, shared ownership remains the most affordable option for those who wish to purchase a property but cannot afford full home ownership as it allows an initial percentage share of the property to be purchased while the council retains the other share.
- 8.4 Further shares can be purchased in the future, which is known as 'staircasing', reducing the percentage share owned by the council.
- 8.5 The council holds a shared ownership database where interested parties can apply and subject to meeting the eligibility criteria set by government their details are added to the register. The shared ownership homes are marketed initially to those on this register and applicants will be contacted in order of the date of their registration and notified of the availability of these homes.
- 8.6 An independent valuation report for each of the properties will determine the sale price and setting of rents based on 2.75% of unsold equity of the shared ownership home.
- 8.7 Affordability checks will be completed and subject to these checks an initial non-refundable holding deposit will be taken.
- 8.8 Solicitors will then be appointed to act on behalf of the Council to prepare the sale and lease documents and purchasers will instruct their own solicitors to liaise with the solicitors acting on behalf of the Council regarding the sale/purchase of the property.
- 8.9 The five shared ownership homes will be sold following the process set out above and subject to approval of the recommendations being

made to Executive in this report and commencement of delivery of the new homes we will be contacting applicants who are interested in shared ownership homes in Chiddingfold.

9. Procurement

- 9.1 The Housing Development Team have been working with our appointed employer's agent, quantity surveyor to procure a build contractor to deliver 26 new homes across five sites in Chiddingfold. These homes form part of the new affordable home delivery within the Chiddingfold Neighbourhood Plan.
- 9.2 Following the Contract Procedure Rule compliant tender for a build contractor, W Stirland was appointed to deliver these new homes, however as reported in the business cases for the sites in December, this contractor went into administration.
- 9.3 Feltham Construction Limited (FCL) had submitted the second lowest compliant tender under the original tender exercise and it was agreed in consultation with the council's procurement officer and our appointed employer's agent that they would be approached to establish if remained interested in the project and requested to submit a revised tender which reflected the impact of inflation since the submission of the original tender.
- 9.4 Following submission of this revised tender sum, our employer's agent produced a tender report summarising the position and supported progression with FCL.
- 9.5 Further information which had been developed through the work completed by W Stirland through a pre contract services agreement (PCSA) was then shared with FCL, this assisted them in reviewing allowances made and contract sum whilst preserving the Council's commercial position with W Stirland.
- 9.6 As part of their submission, FCL provided an analysis breaking the tender sum down across each site, separating out all the principal elemental costs. This relatively open-book approach has given our

employers agent confidence that the revised Tender Sum again represents a competitive price. The council's Procurement Officer was involved in these developments was satisfied the council's Procurement rules have been followed.

- 9.7 FCL agreed to hold its re-tendered and revised price until the end of Q1(2023/24) and to ensure the tender sum was maintained the council entered into a pre-contract services agreement (PCSA). This enabled FCL to get on site and undertake work to, for example, implement planning consents, commission filtration test, progress construction design work and other matters like payments to utility companies to prepare their designs. The costs allocated to the PCSA are included in the tender sum and are not in addition to.
- 9.8 We are now in a position where we can enter into contract with FCL to prevent delay with progression of the delivery of the new homes.
- 9.9 Whilst we secure the delegations, FCL has asked for a letter of intent to demonstrate commitment of the Council to the scheme as they need to assign staffing and capacity to the project in their future plans and ability to give assurances to their sub-contracting teams. If we are unable to provide this assurance, it risks the project being delayed and potentially loss of FCL's commitment to the project.
- 9.10 In addition to the letter of intent, the schedule of work and value of the PCSA has been extended within the scope of officer delegation. This will enable FCL to progress for example, the construction design, submission of a new but identical planning application for Pathfield B and payments to utility companies to secure their fee for new connections. Further financial detail relating to this can be found in Exempt Annexe 1.

9. Consultations

- 9.1 The Portfolio Holders for Housing Operations and Delivery together with members of the Resources Overview and Scrutiny Committee have considered the business cases for each of the five sites prior to its consideration by Executive on 29 November 2022 and by full

Council on 13 December 2022. The Portfolio Holder for Housing Operations has also been consulted regarding information and recommendations for approval within this report.

- 9.2 Tenants affected by the development proposals have been consulted and moved on a temporary or permanent basis and consultation events have been arranged for the wider community of Chiddingfold. The Parish Council have been involved in the development of the schemes and the sites are included in the Chiddingfold Neighbourhood Plan. The Ward Member and members of the Parish Council have also attended a meet the contractor event held

10. Key Risks

- 10.1 If the Executive do not approve the recommendations made in this report, then the development of 26 homes across five sites will not be delivered.
- 10.2 Delaying a decision to approve the recommendations will have additional cost implications as the preferred contractor is ready to mobilise subject to contract. It is therefore imperative that the contract is signed as soon as we have the authorities in place.

11. Financial Implications

- 11.1 The total budget approved for this development at full Council on 13 December 2022 was £8,902,713. The costs have now increased and a budget of £9,305,045 will be required. This is an increase of £402,332 which will be funded through a mixture of capital receipts and borrowing. Though the costs have gone up on this scheme overall viability has improved. We have reworked the viability assessments to take account of revised valuations received in June 2023 and a change in the borrowing assumptions considering the current market forecasts. This results in a favourable change in the viability of these schemes with NPV improving across the board as well as the revenue impact improving. This information can be found in Exempt Annex 1.

11.2 The gross development value for the five sites, 26 homes is £10,906,000.

12. Legal Implications

12.1 Procurement of a build contractor has been completed in line with the Council's Contract Procedure Rules.

12.2 Members have already considered the business case and approved the recommendations made at the meeting of the Council of 13 December 2022 however formal approval is needed to enter into the JCT contract with Feltham Construction Limited.

12.3 The delegations included in the report enable the full build and disposal to be managed in an effective and coordinated way, having regard to the budget and strategic business case.

13. Human Resource Implications

13.1 There are no significant human resource implications. Officers in the Housing Development Team have and will continue to liaise with the Senior Living Team throughout the building work and Home Choice and Property Services Teams prior to handover of the new flats.

14. Equality and Diversity Implications

14.1 There are no direct equality, diversity, or inclusion implications in this report. Equality impact assessments are carried out, when necessary, across the council to ensure service delivery meets the requirements of the Public Service Equality Duty under the Equality Act 2010.

15. Climate Change/Sustainability Implications

15.1 Our build contractor appointment includes an assessment of responses in relation to minimise the carbon impact on delivery of schemes, with specific references to addressing their environmental impact, pre-construction activity, build and post construction phases and management of their supply chain.

- 15.2 The scheme was originally designed prior to the council's net zero policy becoming a corporate requirement and there has been a number of net zero enhancements added during the discussions held post-tender with the preferred contractor, Feltham Construction Limited: these have been added from a 'fabric- first plus 35%' initial position and include the installation of air-source heat pumps and photo voltaic (PV) panels as bolt-on technologies, to complement enhanced insulation (doors, windows, floor slab, roofs and wall) measures, the fabric-first elements.
- 15.3 These measures combine to produce SAP-ratings for the property: a SAP rating is the calculation that is required in order to produce a Predicted Energy Assessment and an On Construction Energy Performance Certificate. Building Regulations require that a SAP calculation and a Predicted EPC is submitted for new dwellings prior to the commencement of work.
- 15.4 The scheme (five sites) has also been in design during the change to higher levels of Building Control requirements and compliance with uplift to the new Part O Regulations of June 2022 that are also a feature of Climate Change/Sustainability Implications for the scheme. This has resulted in the analysis and assessment of more than 20 different measures (both fabric-first and new technology) that has formed part of the scheme's pre-construction design and appraisal.
- 15.5 Climate Change considerations also affects drainage and the scheme's overall SuDS, impacting the type of road and parking space surface treatment, the effect of soft / hard landscapnig on infiltration rates and overheating calculations for the properties reflecting their aspect and glazing.
- 15.6 All these design considerations reflect the council's drive towards net zero, during design, in construction and thereafter in operation so that the most sustainable, lowest achievable carbon and highest SAP rating within the financial constraints of the scheme.
- 15.7 Officers and the council's specialist consultants have applied lessons learnt in recent schemes (Laurel Close, (Site B) Ockford Ridge,

Godalming, a Surrey Building Control Awards -winning scheme this year) to continue to improve performance in these areas. Post-occupancy monitoring, also a new area of data gathering, will further improve this design and modifications for subsequent new schemes.

16. Summary of Options

- 16.1 The options were proposed within the business case and covering report presented to members at Executive in November and Full Council in December 2022.

17. Conclusion

- 17.1 The Executive and Full Council have previously approved the business case and budget for delivery of 26 homes across five sites in Chiddingfold. It is recommended that the Executive approve delegation to the Executive Head of Legal and Democratic Services approve the final form of legal agreements and to the Strategic Director (Place) to enter into the JCT Contract for the delivery of these homes and other delegations as set out in 1 (i -iiv) of this report.

18. Background Papers

- 18.1 HRA Business Plan Strategic Review Housing Delivery - Executive 29 November 2022

HRA Business Plan Strategic Review Housing Delivery - Full Council 13 December 2022

Please ensure the following service areas have signed off your report.
Please complete this box, and do not delete.

Service	Sign off date
Finance / S.151 Officer	22.06.23
Legal / Governance	22.06.23
HR	N/A
Equalities	N/A
Lead Councillor	26.06.23
CMB	
Executive	01.08.23
Committee Services	24/07/23

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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