

Committee: Cabinet

Date of meeting: 4 July 2018

Subject:	Refurbishment Proposal - Public Hall, Church Road, Weybridge
Lead Officer:	Head of Asset Management and Property Services Interim Head of Housing Services
Portfolio Holder:	Councillor Mrs R Mitchell – Resources Councillor A Kelly – Housing
Link to Council Priorities:	All
Exempt information:	Appendix A – project cost estimates exempt pursuant to Paragraph 3 of Schedule 12A to the Local Government Act 1972
Delegated status:	For recommendation to Council on 18 July 2018
Key Decision:	N/A

Executive Summary:

This report recommends that following the grant of the planning permission and tender exercise that we proceed with the project along with associated risks highlighted in this report but with the additional sum of £510,000 to be authorised to allow the project to commence. The breakdown of this total build cost figure is split between the cinema and residential element and the total cost of the project is shown in Appendix A.

Recommended: that

- (a) following the grant of the planning permission for 4 one bed and 1 two bed affordable units and a cinema, that it be noted that the total cost of the project has increased to £2,300,000 and that the additional sum of £510,000 be added to the 2018/19 Capital Programme;**
- (b) a New Engineering Contract (NEC) design and build contract with Kier is signed for the sum highlighted in Appendix A in respect of the overall construction costs for the scheme; and**
- (c) an element of this additional sum will need to be funded from the Affordable Housing Enabling Fund in respect of the residential element at a figure of £650,000 (an increase of £230,000) with the balance of £1,200,000 (an increase of £280,000) from capital receipts which relates to the cinema and part residential element.**

Report:

1. Background and Context

- 1.1 The Weybridge Hall was historically under-utilised and its condition continues to decline, despite a variety of initiatives and investment over a period of years. The Asset Management/Leisure and Housing teams have been working to find a solution for the building for some time. In July 2016, a condition survey identified

significant elements of concern, including the need to completely rewire the building and extensive roof works. Whilst a capital bid was submitted to deal with these elements, no works were carried out as it would have meant closure of the hall and The Friends of Weybridge Hall needed to be given every opportunity to secure hirers.

- 1.2 The building occupies an important site in the town centre and has the potential to accommodate uses that will enhance the current retail offer. If the building is to be retained in its existing form, significant monies would need to be spent just to maintain the status quo, estimated to be in excess of £400,000. There were two capital bids already included in the Capital Programme, one for re-wiring the whole building and one to upgrade current residential upper floors (which is mainly taken up with one flat, which has been empty for several years and is not in a lettable condition). However, these two capital bids do not address any of the problems with the exterior of the building, namely the roof, external fire escape etc. Furthermore, the works to the upper parts were not commenced as it was evident there was “no market” for a large 4-bedroomed flat without any garden space.
- 1.3 The consideration of a cinema operation on the ground floor has been explored in detail over the past 2 years along with other possible uses but there is no “market” for further retail nor does the venue work as a Community Hall. The cinema use will enhance and regenerate that end of Weybridge High Street, in particular increasing pedestrian footfall outside normal business hours, along with day time community uses.
- 1.4 In March 2018 full planning permission was granted to convert Weybridge Hall into a cinema on the ground floor and 5 affordable units on the upper floors.
- 1.5 Following an initial feasibility study in June 2016 a Cabinet report recommended that the sum of £1,789,000 be set aside for the refurbishment and conversion of the building. Since that date additional work was undertaken in respect of the following aspects: -
 - Full surveys of the current building including measurement, identification of deleterious materials (asbestos) along with drainage, utilities, roof and structural surveys.
 - Full design of the scheme to enable planning permission to be obtained
 - Potential Identification of a preferred cinema operator for the ground floor.

To enable delivery of the project, a decision was made to work with Kier Construction (Southern) through the SCAPE Minor Works Framework. Due to the complexities of the layout of the building, its age, the usage of the ground floor as a cinema and the associated risk, it is essential the Council protected its position throughout the pre-construction stage and then going into the full construction of the scheme. By using the SCAPE framework, the Council remains protected throughout these processes and have in place the appropriate indemnities and warranties. To date, the pre-construction costs have been in the region of £225,000 these have been essential to ensure the design meets the planning requirements and complex issues such as acoustics, that could impact

on health and quality of life, are minimised and adhere to the National Planning Policy Framework. For this reason, we have gone through the SCAPE procurement route which equates to 0.5% on the contract value. If we had designed and procured this scheme in-house and employed external consultants, the cost may have been lower, but the Council would not have enjoyed the protection of the warranties and indemnities that are integral to an NEC Design and Build Contract.

2. Planning Permission and layout

As part of the planning process and to enable us to identify exact costings for the scheme, various surveys were undertaken as part of the pre-construction work, this outlined that a number of aspects had to change within the scheme in order to make it planning permission compliant.

2.1 The following issues with regard to the scheme have changed since we undertook the feasibility:

- Following a full measured survey, the number of affordable units that are compliant with our planning policies has reduced from six units to five units.
- Due to the use of the cinema on the ground floor, an acoustics consultant had to be employed and needed to be heavily involved in order to accommodate any adverse impact on health and quality of life in respect of the residential element. This has resulted in the construction process of us having to construct a “box within a box” and ensure that the decibel levels are compliant throughout the construction phase to ensure compliance prior to first occupation of the residential element.
- A noise management plan is required to be established as recommended under the Planning Conditions.
- A large amount of asbestos has been found throughout the building following intrusive surveys.

3. Building/Construction Costs

3.1 In 2017 the cost estimated to build out the scheme for six units was £1,789,500. Since undertaking the original design we have now reduced to five affordable units rather than six, although the top floor unit now incorporates a second bedroom. Whilst the number of units has gone down there is a percentage increase on the construction costs of converting the upper floors into five affordable units and this equates to 8% increase on the residential element. With regard to cinema conversion the construction costs of converting the ground floor has increased 16%, with the majority of this cost being acoustic panelling and the podia for the seats. The full breakdown of the final cost plan which highlights each work package and the costs associated to that package, along with the split between the cinema and residential cost of each work package can be found in Appendix A.

3.2. In addition to the above, as identified on the breakdown, as part of the pre-construction surveys and obtaining planning permission for the scheme we have expended £225,000 of pre-construction costs included in this sum is a

Refurbishment and Demolition Asbestos survey which resulted in the discovery of a significant amount of hidden asbestos throughout the building, which had to be removed to enable design completion to meet building regulations and for us to obtain statutory planning permission. The extent of these costs was unforeseen during the period of obtaining approval for the £1,789,000 spend and obtaining full planning permission.

- 3.3 As part of our feasibility plan and as reported in 2017 we had allowed for a total cost of £445,000 for preliminaries, overheads and profit, design contingency and building contingencies. The revised cost now that we have tendered the works equates to a figure of £524,000, an increase of £80,000. Costs remain high due to the site-specific management required on what is a constrained site and other factors outside of our control. The increase is however in line with current construction inflation; according to the Office of National Statistics, residential construction is currently up by 8.7% and non-residential construction up 6.0%.

4. Funding

As previously reported in 2017 the element of funding for the project when the costs were highlighted at £1,789,000 and at that stage prior to specific measured surveys the estimated split of costs between the cinema and the residential element was 50/50.

- 4.1 Officers have now done further detailed measured surveys and are now delivering four 1-bedroom units and one 2-bedroom unit and the split between the two elements is now 56/44 this is based purely on the square meterage of each element. Cinema 56% and 44% residential.
- 4.2 With the revised costs now submitted which include both the preliminaries, design fees, overheads and profit, provisional sum and pre-construction work done to date to get to the overall construction the proposed split as shown in Appendix A is the true costs for the scheme.
- 4.3 The actual additional cost to the revised scheme which now has full planning permission is £510,000. Based on the 56% and 44% split this equates to an additional £285,600 for the cinema element and £224,400 for the residential aspect.
- 4.4 Discussions continue with a prospective cinema operator (local small to medium enterprise) on the basis of a fifteen-year lease at a rent in the region of £30,000 per annum exclusive. The prospective tenant has confirmed that in order to make the business viable over the first five years a contribution known as a tenant capital contribution will be paid. The sum negotiated of £150,000 will go towards to the fit-out of the cinema element and excludes screen and projector equipment and cinema, sound, system elements. Effectively Elmbridge Borough Council will own the whole fit out of the ground floor but it will exclude the operator's cinema equipment. The lease will be for a period of 15 years outside the Landlord and Tenant Act and prior to any commencement works on site an agreement for lease with the tenant will be put in place.

4.5 Whilst the capital cost of the cinema to EBC is substantial, in its current dilapidated condition the building would still require significant sums to be spent on it to even maintain the status quo. Use as a cinema at this end of the high street is considered to be a regeneration project which will enhance Weybridge town centre. The asset rent has been negotiated to the level where the tenant cannot commit to any increase above this because it is based on a turnover provision. They require a reasonable time period to build business and engage with community and create a successful facility that will bring enhancement by this end of the High Street and a greater pedestrian flow. The rent will be reviewed as part of the process in year 5 however, there will be constant engagement by officers with the operator to ensure the facility is used to its maximum potential.

Other uses have been considered but it is a necessity that in planning terms we retain a community use for the ground floor and this in itself constrains the market of who would occupy a unit of this nature.

4.6 The funding for the additional cost element relating to the residential element is to come from the Enabling Fund. Under the previous estimated cost analysis, the contribution from the Enabling Fund was £420,000 based on 6 units at £70,000 per unit. We are now looking for a contribution of £650,000 from the Enabling Fund which is an increase of £230,000.

4.7 The original £70,000 per unit grant from the Enabling Fund was based on what Elmbridge typically pay as subsidy towards housing association led schemes whereby the Council Housing Service's acquire nomination rights in respect of referring households to take up tenancies.

4.8 Under the revised costs of the scheme, the Enabling Fund contribution per unit will increase to £130,000. Whilst somewhat higher than previous subsidy levels, this scheme is different in terms of the Council benefitting not only from the nomination rights but also in terms of owning an asset and deriving a rental income (neither of which benefit we enjoy on housing association led schemes). As such, the additional subsidy from the Enabling Fund is considered justifiable. The uncommitted balance of the Enabling Fund stands at over £7.5 million, so there is sufficient funding available to meet this increased cost.

4.9 The residential element will be funded through £650,000 from the Enabling Fund and £362,000 from capital receipts and whilst the uplift in the Enabling Fund contribution is greater than the uplift in the cost of the residential development, as a part contribution it is clear that the Enabling Fund contribution is only contributing to the affordable housing element and is not cross-subsiding the cinema element. The balance of the residential element will be met through capital receipts (as per the original approval).

5. Risks

Any construction project comes with associated risks but with regard to the form of procurement route that is undertaken, the NEC3 Option A construction contract that forms part of the Scape framework (Scape is a local authority controlled company wholly owned by Derby City, Derbyshire County, Gateshead

and Nottingham City, Nottinghamshire County and Warwickshire County Councils) helps minimise risk to the client by ensuring the relevant indemnities and warranties will be in place and ensure a relevant risk register is attached to the contract. However, the following should be taken into account which are outside the control of the client and contractor: -

- The installation of utilities solely reliant on third parties
- Party Wall issues that we will have to consider as part of the scheme
- Obtaining a Highway Licence to access and erect scaffolding to undertake associated external works
- Health and Safety aspects
- Location of site compound/welfare issues away from the building itself.

Financial Implications:

The two tables below summarise the capital and revenue implications of the project. Any ongoing revenue costs in respect of the residential element will be funded from existing budgets.

	Reported in April 17	Revised costs June 2018
	£	£
Capital Costs:		
Residential	744,000	1,012,000
Cinema	601,000	1,288,000
Preliminary & Design Fees	289,000	Incl in above
Total Cost	1,634,000	2,300,000
Contingency Costs	155,000	Removed
Total Capital Costs including Contingency	1,789,000	2,300,000
Funded By:		
Cinema Tenant Contribution	150,000	150,000
Existing Capital Programme	300,000	300,000
Enabling Fund	420,000	650,000
Capital Receipts	919,000	1,200,000
Total Funding	1,789,000	2,300,000

	£	£
Revenue Implications:		
Revenue Costs		
Termination of Public Hall Contract – (One off cost) ¹	<u>6,130</u>	<u>8,380</u>
Revenue Savings/Income		
Cinema Rent	20,000	28,500
Rental Income from Affordable Housing Units	48,710	44,000
New Homes Bonus - Affordable Homes Element ²	1,680	1,400
NHB – Growth in Dwelling Stock ²	4,900	4,240
Council Tax (Assumed Band A) ³	840	720
Annual Savings on the Public Halls Management Contract	19,450	20,000
Net Savings on B&B per placement ⁴	10,500	48,040
Savings/Income	106,080	146,900

Notes:

1. Compensation for the remainder of the contract to 2021 and redundancy cost – cost in year 1 only.
2. This amount is 80% of the estimated increase in the New Homes Bonus, the remaining 20% goes to SCC.
3. This amount is the EBC element of the Council Tax. There will be Council Tax contributions for SCC and Surrey Police.
4. The estimated net saving based on the equivalent of families being housed in Temporary accommodation rather than Bed & Breakfast Accommodation (net of Housing Benefit).

Environmental/Sustainability Implications:

Now the planning process has been completed we now need to undertake all relevant statutory aspects in respect of the building out this scheme and this will take place during the various phases of the construction, but it should be noted that this is a conversion of an old Victorian building within the conservation area.

Legal implications:

The Council will need to sign a NEC Design and Build Contract Option A fixed price contract as outlined in the report.

Equality Implications:

As outlined in the report.

Risk Implications:

As outlined in the report.

Community Safety Implications:

As outlined in the report.

Principal Consultees:

CMB

Interim Head of Housing Services

Head of Finance

Background papers:

None

Enclosures/Appendices:

Appendix A – Project cost estimates - Part II, Exempt Information

Contact details:

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