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**Decision Maker:** **EXECUTIVE  
FULL COUNCIL**

**Date:** 8 February 2023 / 27 February 2023

**Decision Type:** Urgent Executive Key

**Title:** **WEST WICKHAM LIBRARY AND HOUSING PROJECT UPDATE  
AND AWARD OF WORKS CONTRACT**

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**Chief Officer:** Director of Housing, Planning, Property and Regeneration

**Ward:** West Wickham;

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1. Reason for decision/report and options

This report is recommending Executive and Full Council approval for the award of the main construction contract for the West Wickham Library and Housing Project. The details of the compliant, open tender process have been outlined within the Part 2 report. The report is also requesting approval of a supplementary capital estimate. The report is marked as Urgent to ensure the validity of the tenders received, as the tender closed on the 6<sup>th</sup> December 2022.

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2. **RECOMMENDATION(S)**

That the Members of the RRH PDS: -

2.1 **Note the contents of this report and make any comments available to the Executive.**

That the Members of the Executive and Full Council: -

2.2 **Approve a supplementary capital estimate for this scheme of £3,959k, to cover construction price inflation since November 2021, when the project was originally added to the Capital Programme, and an increased contingency allowance;**

2.3 **Approve the revised financing of the scheme as set out in paragraph 8.7;**

- 2.4 See Part 2 Report for further Recommendations in relation to the award of the works contract;**
- 2.5 Approve the rent levels of the affordable housing at Social (Formula) Rent levels to utilise the GLA Building Homes for Londoners Grant; and**
- 2.6 Approval to add any increased GLA Grant to this scheme, as agreed under contract with the GLA.**

## Impact on Vulnerable Adults and Children

1. Summary of Impact: If this scheme is delivered, vulnerable children and adults will be supported through the provision of an improved library and the provision of affordable housing that is suitable for individuals and families.
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## Transformation Policy

1. Policy Status: Existing Policy:
  2. Making Bromley Even Better Priority (delete as appropriate):
    - (1) For children and young People to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
    - (2) For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
    - (3) For people to make their homes in Bromley and for business, enterprise and the third sector to prosper.
    - (4) For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.
    - (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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## Financial

1. Cost of proposal: Estimated Cost: £13,600k
  2. Ongoing costs: Net savings on temporary accommodation of £31k per annum. Additional Library income of at least £35k - £45k per annum.
  3. Budget head/performance centre: Capital Programme.
  4. Total current budget for this head: £9,641k
  5. Source of funding: GLA grant, Section 106 contributions, long-term external borrowing, private sales receipts, capital receipts, earmarked reserves and UKSPF funding allocation.
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## Personnel

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours:
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## Legal

1. Legal Requirement: Statutory Requirement.
  2. Call-in: Not Applicable.
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## Procurement

1. Summary of Procurement Implications: The procurement process was a compliant open tender.
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## Property

1. Summary of Property Implications: Property considerations remain as previously reported and agreed.
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## Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: The energy efficiency of the library building will be improved.
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#### Customer Impact

1. Estimated number of users or customers (current and projected): Estimated number of users or customers (current and projected): Residents in West Wickham and the surrounding area. In 2022, up to September there were 38,830 visits to West Wickham Library and 86,168 issues (books, audiobooks etc). It is proposed to build 26 new homes, of which 14 will be affordable homes.
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#### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: To be reported on the night.

### 3. COMMENTARY

- 3.1. The West Wickham Library and Housing project consists of the following elements:
- 26 new homes, of which 14 homes will be affordable rented accommodation and 12 will be private sale to help subsidise the development costs.
  - Improvements to West Wickham Library, to extend it, make it fully accessible and to improve the provision for the community.
  - Improvements to the landscaping and public realm around the site.
  - Improvements to the service road behind the library and adoption of this road in order to provide access to the new residential development.
- 3.2. In November 2021 (Report no. HPR2021/059) Executive approved the addition of the West Wickham Library and Housing project to the Capital Programme at a cost of £9,641k. This approval included a GLA grant of £60k per affordable home (a total of £840k).
- 3.3. Planning consent was granted in April 2022 and consultancy procurement was undertaken to develop the design to RIBA Stage 4 Technical Design. The construction works were then tendered as a single stage Design & Build JCT contract.
- 3.4. Please see Part 2 report for details of the tender process and commercial information.
- 3.5. Subject to the award of the construction contracts, the library works are due to complete in April 2024 and the housing and road works are due to complete in October 2024.
- 3.6. The project was added to the Capital Programme in November 2021 (Report no. HPR2021/059) when construction prices were lower and more stable. Since 2021, materials prices have increased significantly, and the construction market has become increasingly challenging. As a result of the market volatility, contractors are also pricing in higher levels of risk to protect themselves when entering into new contracts on a fixed price basis. This has been reflected in both construction tender processes undertaken for the project. Officers have undertaken two procurement exercises to secure best value for this work. As a result of the tenders returned, following the evaluation of the tenders, there is a funding shortfall of £3,959k in the capital budget for the total development costs if this scheme is to progress. The revised total development costs include a client-side contingency of 15% of the total construction costs. Having reviewed the increased costs in detail, regard for increased need for housing, increased costs for provision of temporary accommodation, a more competitive grant from the GLA towards the housing, as well as a desire for an improved library, it is recommended to increase the Capital Budget, and progress with the scheme.
- 3.7. If Members decide not to proceed with the project it should be noted that construction inflation will have also affected the maintenance backlog costs for the library, which are now estimated to be in the region of £475k plus professional fees for essential and critical works, which would see no physical improvements to the site but would be required to continue operating a library for the site. It is expected these works will come close to £525-£600k in total, and this does not include works to the former toilet facilities which would need to be dealt with separately if the original library scheme does not go ahead. The urgent works identified are for: DDA compliance, urgent heating works, statutory fire compliance of fire safety, asbestos removal and urgent roof works. Without undertaking these works the library building will not be useable as a service building in the next 12 months if not sooner, and the Council is already effectively in breach of the lease with GLL who operate the library on behalf of the Council.

## Housing Building Costs Compared with Meadowship Homes Programme

3.8. Given the cost increases, officers have undertaken a detailed review of the benefits of continuing this scheme set against temporary accommodation cost pressures and acquisition schemes, such as Meadowship Homes. The total average purchase cost (including fees and refurbishment) of a 1 bed flat through Meadowship phase one is £229k. This compares with the gross cost of a 1 bed in this West Wickham housing scheme of £338k. However, after taking into account the GLA grant (£140k) and s106 contributions (£25k) per unit, the net cost reduces to £173k. The use of GLA grant and this type of scheme does result in a lower rent income the difference in rents, based on a 30-year timeframe equates to a capitalised value of £78k per unit (discounted at 3.5%).

## UKSPF

3.9. The UKSPF funding has three strands, one of which is Community and Place which has an allocation of £1.23m against it for Bromley. The Council currently has very limited projects that meet the criteria for utilising this funding. If the recommendation to proceed is taken forward then the whole £1.23m can be utilised. This was set out in an earlier report to the Executive in November 2022 (report no HPR2022/057).

## **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

4.1. If this scheme is delivered, vulnerable children and adults will be supported through the provision of an improved library and the provision of affordable housing that is suitable for individuals and families. The project also makes provision for continuity of library services during construction works.

## **5. TRANSFORMATION/POLICY IMPLICATIONS**

5.1. The project will contribute to the Corporate Strategy to Make Bromley Even Better. It will meet the following objectives:

- For children and young People to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
- For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
- For people to make their homes in Bromley and for business, enterprise and the third sector to prosper.
- For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.
- To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

5.2. The housing element of the project will contribute to the Council and borough housing targets as set out in the Housing Strategy and the new London Plan.

5.3. The project will contribute to delivery of the Regeneration Strategy.

## **6. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

6.1. Delivery of the scheme supports vulnerable children and adults through the provision of an improved library and the provision of affordable housing that is suitable for individuals and families.

## 7. PERSONNEL IMPLICATIONS

7.1. Any staffing costs are included in the overall capital budget.

## 8. FINANCIAL IMPLICATIONS

8.1. At its meeting in November 2021 the Executive agreed the addition of this scheme to the Capital Programme with an estimated cost of £9,641k.

8.2. This report requests a supplementary capital estimate of £3,959k to a total of £13,600k based on the revised estimated scheme costs which are detailed in the Part 2 report.

8.3. In addition to changes to the estimated costs, the GLA have since changed the conditions of their grant funding programme. Instead of rents being set at London Affordable Rent levels, rents will now be set at lower Social (Formula) Rent levels. However, this is partly compensated by an increase in the level of grant provided, from £60k per unit to £140k, although this is still subject to formal agreement by the GLA.

8.4. Social Rents are set by the formula proscribed in the Policy Statement on Rents for Social Housing which includes the use of a January 1999 property valuation and adjustments for relative county earnings, number of bedrooms and inflation indexation. The 1999 valuation will be determined by an independent valuation, but based on an estimated value (using previous local sales history) of £82k, the Social Rent for a 1-bed property would be £126.39 per week for 2023/24. Social Rents can be increased annually by CPI + 1%, although the government implemented a cap of 7% for 2023/24.

8.5. The table below provides revised capital and revenue costs for the affordable housing element of the scheme:

	£'000
<b>Capital</b>	
Build cost	4,745
Land appropriation value	0
S106	-356
GLA grant	-1,960
<b>Total capital financing requirement</b>	<b>2,429</b>
1 beds	14
2 beds	0
3 beds	0
	<b>14</b>
Average net cost per unit	174
<b>Revenue</b>	
Annual rent	-92
Annual management costs	47
Annual loan repayment	89
<b>Total annual surplus (-) / deficit (+)</b>	<b>44</b>
Annual savings on temporary accommodation	-75
<b>Total net revenue impact</b>	<b>-31</b>

8.6. This shows that the affordable housing element is not fully self-financing from the rent income alone and requires a top-up of around £3k per property per annum, funded from the savings on temporary accommodation. As a result, the scheme would not be suitable for transferring into the ringfenced Housing Revenue Account (HRA), and would have to remain in the General Fund until such time as the rental income exceeds the management costs and (fixed) annuity loan repayments, which would take around 20 years assuming CPI of 2%, or until the HRA has an overall surplus sufficient to cover the shortfall. The Secretary of State has included this site in the Direction covering properties that are not required to be held in the HRA.

8.7. The table below provides details of the original and proposed revised financing for the scheme:

	<b>Library</b>	<b>Private Sale</b>	<b>Affordable</b>	<b>Total</b>	<b>Previous Total</b>	<b>Variation</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total cost	4,813	4,042	4,745	13,600	9,901	3,699
Financed by:						
GLA grant			1,960	1,960	840	1,120
S106			356	356	356	0
Internal borrowing				0	2,147	-2,147
External borrowing			2,429	2,429		2,429
UKSPF grant	1,226			1,226		1,226
Private sale receipts	1,130	4,042		5,172	5,172	0
Capital receipts	1,386			1,386	1,386	0
Earmarked reserves	1,071			1,071		1,071
	<b>4,813</b>	<b>4,042</b>	<b>4,745</b>	<b>13,600</b>	<b>9,901</b>	<b>3,699</b>

8.8. The previous total cost to be financed included £260k in addition to the capital scheme costs for the value of the land appropriation from the General Fund to the HRA. This no longer applies as the affordable housing will remain in the General Fund, which is why the financing variation of £3,699k above is £260k lower than the supplementary capital estimate of £3,959k.

8.9. As with the original scheme proposal, the surplus generated from private sales will be used to fund part of the library cost, along with the UKSPF allocation.

8.10. The financing table above reflects a change agreed by the Executive agreed in January 2023 as recommended in the Capital Strategy report; that existing housing schemes would be refinanced using external borrowing from the Public Works Loan Board.

8.11. The Capital Strategy report also included a provision of £12m for uncertainty around building costs and disposal income (effectively funded by £10m from earmarked reserves), so the £1,071k element of the supplementary capital estimate not funded through GLA grant, UKSPF funding or external borrowing can be contained within the overall capital programme as reported in January 2023. This could however impact on the requirement for further funding for the capital programme in the event of future increased costs on other schemes and/or reduced levels of capital receipts. The table below summarises the financing position:



	£'000
Total financing increase	3,699
Increase in GLA grant	-1,120
Use of UKSPF grant	-1,226
<b>Net increase to be financed by the Council</b>	<b>1,353</b>
External borrowing for affordable housing	282
Earmarked reserves for library	1,071
	<b>1,353</b>

8.12. In addition to the risk that the affordable housing rent income could be lower than expected once the 1999 property valuation has been carried out, there is also a risk that the net capital cost of the library could increase if the private sales receipts are lower than anticipated; however the figures detailed within this report represent the best estimate at the current time.

8.13. By developing the site, the Council is foregoing a capital receipt that could be realised by disposing of the car park site. At present, it is estimated that this could be around £1,270k. However, it should be noted that ceasing the development would result in the abortive capital costs to date of around £500k being charged to revenue and essential condition survey works of up to £600k relating the library would need to be incurred.

## 9. LEGAL IMPLICATIONS

9.1. Part 2 of this report requests two awards of works contracts to be made in relation to Lot 1, Library Works and Lot 2, Housing and Road Works to the West Wickham project. The Council has various statutory powers to provide, maintain and improve housing (Housing Act 1985), Libraries (Public Libraries and Museums Act 1964) and adopt highways (Highways Act 1980). In addition, the Council has the power of general competence (GPOC) to do anything an individual could do under section 1 of the Localism Act 2011 together with the Council's local regeneration and housing policies.

9.2. The housing works will eventually provide 14 affordable rented accommodation homes and 12 private sale units which will help subsidise the development costs. Under section 4 of the Localism Act 2011, should a local authority rely on the GPOC to do anything for a commercial purpose then they must do so through a company. It appears from the contents of this report that there is no commercial purpose in this project as the sale of the houses is incidental to the general regeneration aims of the project. Should officers require any further specific advice on this then they should instruct legal services.

9.3. The Public Contracts Regulations 2015 (Regulations) apply to the acquisition of works above a certain financial threshold which is currently £5,336,937. As the combined values of both packages of works totalled more than this then the contract has been procured in accord with those Regulations as detailed in the Procurement comments below.

9.4. The current provider of the library services (GLL) may need to enter into any necessary variations to its leases/agreements with the Council once officers and GLL have identified exactly how the temporary library service will operate once the building works commence.

9.5. Budget approval for further funds by the Executive as set out in the Recommendations in the Part 2 Report must also be reported to Full Council.

## 10. PROCUREMENT IMPLICATIONS

- 10.1. This report seeks to award two separate contracts for the West Wickham Library and Housing Project, one for the library works and the other for housing and road works. The report further seeks an increase of the Capital Budget for the project to cover construction price inflation since November 2021, when the project was originally added to the Capital Programme – as detailed in Part 2.
- 10.2. An open tender process was used in line with the requirements of the Public Contracts Regulations 2015 with the tender advertised on both Find A Tender Service and Contracts Finder. The procedure also fully complied with the Council's Contract Procedure Rules (CPR) for competition at 8.2.1 and the requirement for utilising the Council's eProcurement system.
- 10.3. The Council's requirements for authorising an award of contract are covered in CPR 16. For a contract of this value, the Approval of the Executive, following Agreement by the Budget holder, the Chief Officer, the Assistant Director of Governance & Contracts, the Director of Corporate Services, the Director of Finance and the Portfolio Holder must be obtained. In accordance with CPR 2.1.2, Officers must take all necessary professional advice.
- 10.4. Following the decision, a Find A Tender Award Notice will be issued and an award notice will be published on Contracts Finder. A mandatory standstill period will need to be observed.
- 10.5. The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

## **11.PROPERTY IMPLICATIONS**

- 11.1. The Executive approved the addition of the West Wickham Library and Housing project to the Capital Programme at its meeting in November 2021.
- 11.2. At that time the option for disposal was considered as part of the business case evaluation and consequently it was the recommendation to Members to proceed to a self-delivery Housing Scheme to a) provide social housing and b) through sales receipts from private developed housing as part of the scheme fund the refurbishment of the library.
- 11.3. Property do not believe there has been a material fall in value of the car park land since November 2021 nor has there been an increase in value. Therefore, the benefits to the Council in progressing with the scheme remain similar to the decision made in November 2021.
- 11.4. This Report highlights, following the evaluation of the tender returns, a funding shortfall of £3,959,000 in the capital budget for the total development costs of this scheme. However, this sum will be considerably mitigated by additional funding from UKSPF and the GLA.

## **12.CARBON REDUCTION/SOCIAL VALUE IMPLICATIONS**

- 12.1. The proposed development features improved insulation and air tightness standards, when compared against the compliance requirements of Approved Documents L1A and L2A 2013 of the Building Regulations. In addition, this proposed development will incorporate a mechanical and electrical specification that surpasses the requirements of the Domestic and Non-Domestic Building Services Compliance Guides. These combined energy efficiency measures lead to a reduction in CO2 emissions equivalent to 14% of the base case for the domestic part of the development, and 24% of the base case for the non-domestic (Library) part of the development. These surpass the target reduction of 10% and 15% respectively, as required by the London Plan.
- 12.2. The library proposals will make the building more sustainable in the following ways:

- Upgrading the mechanical, electrical, and plumbing systems throughout, including the installation of a mechanical ventilation system with heat recovery, and energy efficient lighting.
- Improving the insulation and glazing specification.
- Installing PV panels.
- Installing air source heat pumps.
- Partially retaining the existing building rather than fully demolishing it.

12.3. It is estimated that the proposals for the library will create 4 new jobs, of which 3 will be in the new library café and 1 will be an addition to the existing library staff team.

12.4. The successful construction contractors have proposed to recruit local apprentices for the project along with delivering other social value initiatives such as presentations to local schools.

12.5. The new library will provide the following amenities for the community:

- An improved children's library.
- Provision of an outdoor classroom for children's activities.
- Provision of a workshop space with 3D printers (makerspace).
- More support for job seekers and local businesses.
- Increased number of PCs and work/study space.
- Provision of display area for the Bromley Historic Collections.
- Provision of a Changing Places Community Toilet.
- Provision of community hire space.
- Provision of level access throughout the building.
- Provision of a café with sheltered outdoor seating.
- Improvements to the landscaping around the building.
- Improved energy efficiency and sustainability of the building.

### 13. CUSTOMER IMPACT

13.1. The project will benefit all users and visitors of West Wickham Library. The library usage figures for recent years are as follows:

Year	2018	2019	2020	2021	2022 (up to Sep 2022 – 9 months)
<b>Metric</b>					
<b>Issues</b>	110,533	112,239	56,078	80,655	86,168
<b>Visits</b>	100,344	77,119	32,970	29,603	38,830

NB 'Issues' refers to the number of items (books, audiobooks, etc) borrowed or renewed from the library. 'Visits' is the number of times someone entered the building.

Library visits were seriously impacted by COVID-19 in 2020-2021. It is projected that library usage will increase as a result of the project being delivered. This is a trend that has been observed following other library improvement projects in the borough.

13.2. The delivery of affordable housing will benefit Bromley households that are currently in temporary accommodation.

13.3. The adoption of the service road will improve access for new and existing residents, as well as local businesses which utilise the road.

<b>Non-Applicable Headings:</b>	Ward Councillor Views
Background Documents: (Access via Contact Officer)	<p>HPR2021/059, PROVISION OF HOUSING AND LIBRARY IMPROVEMENT WORKS IN WEST WICKHAM TOWN CENTRE, November 2021</p> <p>HPR2022/057, UK SHARED PROSPERITY FUND (UKSPF) – BOROUGH ALLOCATION, November 2022</p>