

<b>Contains Confidential or Exempt Information</b>	<b>YES (Part)</b> Appendices 1, 2 and 3 are exempt by virtue of paragraph 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972
<b>Title</b>	Perceval House Redevelopment – Decant Options and Affordable Housing
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<b>For Consideration By</b>	Cabinet
<b>Date to be Considered</b>	16th March 2021
<b>Implementation Date if Not Called In</b>	29 <sup>th</sup> March 2021
<b>Affected Wards</b>	All
<b>Keywords/Index</b>	Perceval House; Broadway Living Registered Provider (BLRP), Decant, affordable housing, office redevelopment

**Purpose of Report:**

Update on the current viability position of the Perceval House redevelopment and to agree a change to the proposed decant strategy. To agree the variations to the agreement with Vistry to reflect proposed revised terms of acquisition of affordable units and proposed decant strategy and agree in principle the onward sale of the Affordable Housing units to Broadway Living Registered Provider.

**1. Recommendations**

- 1) Notes the current position with regard to the Perceval House redevelopment scheme as detailed in this report.
- 2) Notes and agrees to a complete decant from Perceval House prior to construction of the new scheme for the reasons set out in paragraph 3.0 to 3.15 below.
- 3) Notes and agrees the Decant Strategy as attached in Appendix A.
- 4) Notes and agrees that the Council will need to take a lease for suitable office space within Central Ealing pending completion of new office space consistent with the financial forecast for the Decant Strategy.

- 5) Delegates authority to the Director of Growth and Sustainability to agree final terms of the lease of a suitable office space with the owner and to authorise the Council to enter into the lease following consultation with the Director of Legal & Democratic Services and Chief Finance Officer.
- 6) Notes and agrees the ongoing work to enable the complete decant from Perceval House as outlined in paragraph 3.8 and 3.9 and approves the following budget growth:
  - a) Additional capital funding requirement of £5.603m of which £5.270m to be funded by the developer and £0.333m (paragraph 8.2, 8.3 and Confidential Appendix 3) to be funded from mainstream borrowing with associated revenue financing cost to be met from the existing Treasury Management service budget.
  - b) Notes that of the total additional capital spend of £5.603m (paragraph 8.3 and Confidential Appendix 3), £4.603m is forecasted to be incurred in the latter half of 2021/22. Due to cashflow timings the Council will need to finance the costs from temporary borrowing with this being repaid in following years upon release of the programme benefits. Any associated revenue financing cost will be met from the existing Treasury Management service budget.
  - c) £0.415m one-off revenue growth required in 2021/22 to be funded from a combination of in-year savings with any unfunded spend to be financed from corporate reserves (paragraph 8.2, 8.4 and Confidential Appendix 3); and
  - d) Additional revenue budget requirement of £0.616m to be incepted in the MTFS as part of the 2022/23 budget process (paragraph 8.2, 8.4 and Confidential Appendix 3).
- 7) Notes the capital budget approved by Cabinet in March 2018 of £65.242m for the Affordable Housing units will now be recognised in the programme and approves the budget to be increased by £1.627m to £66.869m, funded from mainstream borrowing with the short-term revenue implications to be covered from the existing treasury management revenue budget for a duration of no longer than one year. The scheme will fund the acquisition of the affordable homes units until the forward transfer is completed to Broadway Living Registered Provider (Section 4 and paragraph 8.5).
- 8) Notes the revised purchase price for the Affordable Housing units contained within Confidential Appendix 1 and that the amount proposed is expected to be recovered from the proposed onward sale to Broadway Living Registered Provider within the existing Broadway Living Registered Provider £400m funding allocation and consistent with the approved Broadway Living Registered Provider business plan.

- 9) Notes and agrees that the Council should agree a variation to the existing Development Agreement with the Council's developer partner (Vistry) on the basis outlined in paras 6.0 to 6.2 below.
- 10) Delegates authority to the Executive Director of Place to finalise the terms of a revised Development Agreement with Vistry based upon the terms summarised in paras 6.0 to 6.2 below, and to authorise the Council to enter into a revised agreement following consultation with the Director of Legal & Democratic Services and Chief Finance Officer.
- 11) Notes and agrees in principle to the disposal of the affordable housing units to Broadway Living Registered Provider and note that a report will be taken to Housing Delivery Cabinet Committee to approve the disposal to Broadway Living Registered Provider, subject to necessary financial capacity.
- 12) Delegates authority to the Executive Director of Place, following consultation with the Chief Finance Officer and Director of Legal and Democratic Services, to take any required consequential action to ensure timely delivery of the project as set out in this report.

## **2. Reason for Decision and Options Considered**

- 2.1 Cabinet has previously considered reports on the redevelopment of Perceval House to agree the principle of redevelopment and to enter into a Development Agreement (DA) with Vistry (previously Galliford Try).
- 2.2 The most recent report was taken to 20th March 2018 and Cabinet agreed:
  - To delegate authority to the Executive Director for Housing and Regeneration following consultation with the Director of Legal and Democratic Services, the Portfolio holder for Regeneration and the Portfolio holder for Finance and Performance to finalise the terms and enter into the DA with Galliford Try (now Vistry) on the basis that the Council will agree to purchase all the affordable homes at the pre-agreed price.
  - An addition of a new scheme called Perceval House Affordable Housing Acquisition Fund to the capital programme totalling £65.242m to be funded from mainstream borrowing with the short-term revenue implications to be covered from the existing Treasury management revenue budget for a duration of no longer than one year. The new scheme will fund the acquisition of the affordable homes until the forward transfer is completed.
  - Delegated authority to the Executive Director for Housing and Regeneration following consultation with the Executive Director of Corporate Resources and the Portfolio holder for Regeneration and the Portfolio holder for Finance and Performance to agree the final amount of any Right to Buy receipts to be applied to the scheme as appropriate.

- Reconfirmed agreement in principle to the appropriation of the Perceval House site as originally agreed in July 2017.
- Delegated authority to the Executive Director for Housing and Regeneration following consultation with the Director of Legal and Democratic Services to make a final decision to appropriate the Perceval House site for planning purposes when appropriate.

2.3 Cabinet on 12th December 2017 and Cabinet agreed:-

- to apply Right to Buy (RTB) receipts of up to £10.000m to facilitate the redevelopment and enter into agreements as required to achieve this.
- an addition to the capital programme of £3.705m for the funding of additional commercial floor space as part of the Perceval House redevelopment scheme, with the cost of borrowing to be covered by rental income from third parties.

2.4 The main objectives of the scheme are:

- To provide new more efficient office accommodation for Council's HQ. 100,000 ft2 new offices and a Customer Service Centre/Library of 30,000 ft2.
- To develop a mixed use scheme with 50% of the housing being affordable
- The Council to have an option to purchase the affordable homes (most likely via Broadway Living) at an agreed price as set out in the Employer's Requirements and the bidders' development assumptions.
- To share in the development risks and to share in the rewards of a successful development in order to increase the return to the Council
- A scheme which will not require the Council to make additional funding available for the cost of its accommodation requirements and potentially generate a surplus beyond this.
- A high quality scheme that enhances the town centre and contributes to further regeneration in the town centre.

2.5 The current position of the project is as follows

- Vistry is the development partner.
- The DA was signed February 2019.
- Residential - 477 homes proposed with a total of 1215 habitable rooms of which 601 are private and 614 are affordable housing, a 50.5% affordable housing scheme
- The planning application was deferred at the 17<sup>th</sup> February 2021 Planning Committee and is due to be considered by the Planning Committee on the 10 March 2021.
- Subject to the outcome of the local Planning Authority the scheme will be referred to the GLA for stage 2 consideration and the Secretary of State.

2.6 Officers have been involved in further dialogue with Vistry with regards to:

- The change of demolition strategy from partial separation to full demolition.
- The revised terms of the DA in respect of the purchase of the Affordable Housing units from Vistry and the onward sale of the units to Broadway Living Registered Provider (BLRP).
- The current projects financial viability.

2.7 This report sets out the results and recommendations.

### **3. Proposed Change to Demolition Strategy**

- 3.1 Vistry in their bid submission and which was subsequently contained within the February 2019 DA proposed a scheme that enabled the new council offices to be located on the main frontage of Uxbridge Road. The proposal was to partially separate Perceval House to allow the demolition of the front two claws while the council retained occupation and operated from the remaining rear section. Once the new office building has been completed the council were to relocate into the new accommodation, allowing the remaining part of Perceval House to be demolished and the rest of the residential scheme to be constructed.
- 3.2 At the time of the bid submission the option of the Council fully vacating Perceval House and relocating off site was considered, as this would have been the preferred option in order to mitigate any Health & Safety (H&S) concerns for staff and provide increased certainty of delivery. At that time remote and home working was not significantly embedded throughout the Council and therefore the cost of providing sufficient office accommodation in the locality was prohibitive and therefore a full vacation of the site was not viable.
- 3.3 Since the beginning of 2020 and the start of the pandemic, the Council has had to adapt rapidly to a flexible service delivery model, which has moved away from the reliance on large areas of office accommodation to one mainly of remote and home working. Even once the pandemic has abated it is now not expected that the Council would go back to pre-pandemic levels of occupation (see below). Due to this significant change in the way services are and will be delivered and following discussions with Vistry the Council has reviewed the existing partial separation demolition strategy to assess if a full demolition option is now viable.
- 3.4 Vistry have confirmed that a full vacation of the site by the Council would also be their preferred option and would provide a programme saving of c20 months and significantly de-risk the delivery of the project. It would bring forward the delivery of some of the Affordable Housing and mean that no council staff would be on the development site during the construction process.
- 3.5 The table below identifies the main differences between the two options and advantageous and disadvantages of both.

Issue	Partial Decant (Approved)	Full Decant
Accommodation	Provides c700-760 workstations and meeting rooms in retained part of Perceval House (PH) and other council properties.	<ul style="list-style-type: none"> <li>Provides 400 to 450 workstations split between c300 in existing council properties and c150 in leased property in central Ealing.</li> <li>Meeting rooms in other council properties.</li> </ul>
Finances	Included in approved budget	Potential additional spend £1.570m - £2.596m
Construction methodology	<ul style="list-style-type: none"> <li>Council occupies rear half of PH.</li> <li>New office constructed and occupied.</li> <li>Rest of PH demolished and scheme completed.</li> </ul>	<ul style="list-style-type: none"> <li>Vistry have control of site to demolish PH.</li> <li>New office constructed and occupied.</li> <li>Rest of PH demolished and scheme completed.</li> </ul>
H&S	<ul style="list-style-type: none"> <li>H&amp;S Assurance report on structure required.</li> <li>Ongoing monitoring of risks during construction, in line with Employers Requirements for separation.</li> </ul>	No H&S issues relating to construction work.
Disruption during construction	<ul style="list-style-type: none"> <li>Intensive for c12 weeks during 'cut'.</li> <li>Overall c3 years while new office constructed.</li> <li>c3 years during completion of scheme.</li> </ul>	None for first c3 years during construction of office c3 years after new office occupied as rest of scheme is completed.
Services with more complex accommodation requirements	No significant changes to that originally planned to service/democratic service delivery.	New offsite locations to be confirmed and relocations implemented.
Staff impact	<ul style="list-style-type: none"> <li>Staff will need to work from retained part of PH.</li> <li>Majority of staff will be exposed 1 or 2 days a week to significant disruption while working in PH for c3 years.</li> </ul>	<ul style="list-style-type: none"> <li>Willingness to work in other locations (eg Greenford Depot) for first 3 years and continue significant amount working from home.</li> <li>Exposed to adjacent building works when in new office.</li> </ul>
Programme	As per DA.	Quicker by c20+ months.
Approvals	Cabinet Approval obtained DA in place Contractual obligated to deliver.	New Cabinet Approval required Negotiation with Vistry and variations to DA.

- 3.6 The New Ways of Working (NWOW) project has engaged with both managers and staff to ascertain the impact on staff and service delivery that the change to a remote flexible working model has made. The results of the staff survey on working locations carried out between 24 November and 15 December 2020 were taken to Jan 2021 Scrutiny Committee and is contained in Appendix C.
- 3.7 The results from the survey show that the clear majority of staff (80%) would prefer to come into an office 2 days or less. Further work is being undertaken to analysis the results in terms of staff and managers perspectives. From analysis of work that has been done to date with the Directorates, it has been determined that between 400 and 450 workstations would enable the majority of staff to come into an office location at least one or two times a week.
- 3.8 The majority of estimated capital expenditure relates to a combination of costs associated with service relocation (across both leased and council owned premises), creation of work-stations and meeting room requirements within existing council properties, with the main location being Greenford Depot providing c220 workstations.
- 3.9 In order for the Council to continue to have a presence within Central Ealing a suitable leased space that would accommodate between c100 and c150 workstations and associated meeting rooms would be procured and incur a revenue expenditure. Currently available office space within Central Ealing have been identified and initial discussions commenced with landowners/agents with regards to terms and potential cost. This information has informed the development of the financial forecast of the cost of implementing a full decant of Perceval House.
- 3.10 Undertaking a full decant allows the overall programme to repurpose budget from avoiding costs required in a partial decant option, c£5.270m has been estimated by Vistry as being the realised benefit. The current high level spend estimate of a full decant option is between £6.840m and £7.866m. Following application of available revenue budgets and capital cost avoidance opportunities, the potential additional cumulative cost to the Council is estimated to be between £1.570m and £2.596m. Current assessment of the cost relating to delivering a full decant option are ongoing but the main areas of cost i.e. relocation of CCTV; upgrade of Greenford Depot and leasing property within Central Ealing are contained within the current high-level estimates. A breakdown of the estimate of costs is included in the Confidential Appendix 3 and the financial implications of a full decant are discussed further in section 8 below.
- 3.11 Key Risks/Dependencies of a Full Decant
- a) **Property**
- Some services with more complex accommodation requirements e.g. CCTV; Registrars; Customer Services will need suitable locations to be identified and completed before decant – max 10 months. The

proposed decant strategy in Appendix A provides more information on these services and proposed locations.

- Majority of workstations will be provided at Greenford Depot. Some accommodation will be leased within Central Ealing and further workstations provided in other council premises around the borough.
- That the Central Ealing accommodation is still available to lease and is of sufficient size at the anticipated affordable rate.
- Limited workstation capacity for staff and not able to readily absorb any additional accommodation pressures that may materialise over 3 years.
- Services/staff operating assumptions change requiring more space at cost

#### **b) Financial**

- The cost avoidance of £5.270m to be made available to fund the additional cost will only be held true upon approval of the full decant option.
- There is a risk that this amount could be exceeded during the implementation of the full decant option and that risk would be held by the council, subject to ongoing discussions with Vistry and confirmation at March Cabinet of estimated level of risk.

#### **c) Service Delivery/Staff**

- Services/staff willingness and goodwill to accept working from restricted workstations numbers/different locations, with UNISON support.
- Capacity and ability of the organisation to be able to efficiently deliver a full decant within the short timeframe during a considerable challenging time for staff and the council.
- Members/committees when not operating virtually will need to agree suitable locations to hold physical meetings prior to relocating to the Town Hall when that project is complete.
- Impact of partners currently within PH e.g. CCG/Met Police option to continue to co-locate with the council in its temporary accommodation or not.
- Development and implementation of an effective communication and engagement strategy; for staff, managers, members and community.

3.12 A summary of the two options is provided below

<b>Full Decant</b>	<b>Partial Separation</b>
<ul style="list-style-type: none"> <li>• To be financially viable requires the organisation to work within c400-450 workstations</li> <li>• De-risks the new office construction phase and programme saving of c20 months.</li> <li>• Removes any H&amp;S concerns of staff being on site during the office construction.</li> </ul>	<ul style="list-style-type: none"> <li>• Provides c700 workstations.</li> <li>• No need to relocate key services and democratic centre.</li> <li>• Already within DA and Cabinet approval obtained.</li> <li>• Retained part will have severe disruption during 'cut' works (c12 weeks) and then have disruption associated with work adjacent to a building site for c3 years.</li> </ul>



Full Decant	Partial Separation
<ul style="list-style-type: none"> <li>• The majority of workstations (c220) will be provided within Greenford Depot which has limited accessibility.</li> <li>• Relocation in short time frame of some key services and democratic centre.</li> <li>• Negotiation with Vistry changes to DA and Cabinet approval.</li> </ul>	

3.13 For both options, noise/disruption associated with being adjacent to building work will continue for circa 3 years after occupation of the new office as the scheme is completed.

3.14 Officers recommend that a full decant of the Perceval House is agreed as the preferred option for the following reasons;

- it is Vistry's preference;
- it reduces the construction programme by c 20 months;
- it significantly de-risks and simplifies the construction programme;
- it is deliverable within the financial forecast;
- it removes any health and welfare concerns of staff being on part of the development site during construction;
- it accelerates the delivery of some of the Affordable Housing units.
- it is expected to have a positive impact on the projects overall financial performance which will be assessed as the financial modelling is refined prior to reporting to Cabinet in summer 2021.

3.15 An Engagement and Communication Strategy is attached in Appendix D which will help facilitate the efficient delivery of the decant strategy.

3.16 An initial Equality Analysis Assessment for the change in demolition strategy is attached in Appendix E and will be further refined at the point we understand which locations we will work out of, how much time staff are likely to work from home and any changes to service provision. Indications are that they could be both positive and negative impacts of increased home working to certain groups with protected characteristics and mitigation will be considered and included within the evolving decant strategy.

#### **4. Affordable Housing**

4.1 Approval was obtained at 20 March 2018 Cabinet to purchase the 235 affordable homes to be included in the Council Capital Programme to be funded from mainstream borrowing. The total approved budget was £65.242m. The 235 homes will not be built in one phase so the maximum borrowing needed may be lower than the full cost of the affordable homes of £65.242m. Cabinet also approved the in principle disposal of the affordable homes to BLRP which would result in the entirety of the borrowing required to be repaid on the disposal of the affordable homes to BLRP who in turn will be funded by the Council.

- 4.2 The DA that was entered into with Vistry on 13th February 2019 contained details of the Affordable Housing mix, tenure and associated rate card for each unit type that were expected to be delivered subject to planning approval. The DA made provision for the mix, tenure and unit numbers to be altered as the details of the scheme were progressed through the planning process. Officers from the council have continued to work with Vistry on the details of the Affordable Home offer to ensure that the scheme submitted for consideration be the Planning Committee on the 10 March 2021, best meets Ealing's current needs.
- 4.3 The current Affordable Housing offer differs from the baseline position contained in the DA as shown in Appendix B. The revised Affordable Housing offer provides 226 units with an increased number of larger 3 bed units and a change in tenure mix. The revised Affordable Housing offer forms part of the planning application to be considered on the 10 March 2021 by the Planning Committee.
- 4.4 The DA includes a mechanism for calculating the price of the final number and tenure mix of affordable units. Based on the approved level of affordable housing and tenure mix this produces a figure which Vistry are unable to agree, because of the additional cost of the increased floor area associated with the additional number of larger units with more habitable rooms proposed. A different purchase price of £66.869m is now proposed as set out in Confidential Appendix 1 which equates to an increase in purchase price of £1.627m, financial implications of which are set out in section 8 below.
- 4.5 On 10 November 2020 Cabinet approved the BLRP's Business Plan which included a borrowing requirement facility to fund the units contained within the existing Perceval House DA. The revised purchase price of the Affordable Housing units from Vistry will be able to be recovered from the proposed onward sale to BLRP without affecting the existing £400m loan agreement and associated business plan.
- 4.6 There is an opportunity to use RTB receipts in the scheme to improve the level of affordability of housing units now being sought. This will be set out in further detail when BLRP's affordable housing offer has been negotiated by officers and is brought to Cabinet or the Housing Delivery Cabinet Committee for approval.
- 4.7 The receipt from the onward sale of affordable units will be earmarked to repay the mainstream borrowing used to fund the acquisition and subject to the value being equal or greater than the outlay will result in no continued requirement for revenue funding in relation to the borrowing costs.

## **5. Current Viability Position**

- 5.1 Vistry have provided an updated financial viability that indicates a potential shortfall in Vistry's priority return from that anticipated by the DA of c£7.4m. The main items that have contributed to these movements relate to increase

in land and production costs which have partly but not fully been covered by a projected increase in revenue generated from private unit sales.

5.2 Due to the length of the construction programme and the nature of construction projects of this scale there are opportunities that are being explored to reduce the current forecasted viability gap from crystallising, which include;

- Discussions with the GLA seeking additional grant from the Mayor's Land Fund to contribute towards the infrastructure cost of relocating the electrical substation to facilitate the delivery of the affordable housing units.
- Efficient use of grant and Right to Buy receipts to maximise benefit.
- Maximisation of innovative design and construction methodologies over the length of the project.
- Efficient and effective sales and marketing strategy to maximise revenue income from private market sales.

5.3 Vistry wish to agree the principle of sharing any potential viability gap equally with the council to a cap of a maximum of £3.7m. Further work is being undertaken to reduce the current projected viability gap prior to going unconditional.

5.4 A further report on the viability position will be considered by Cabinet prior to going unconditional, which will identify any financial risk and budget provision for the Council prior to proceeding.

## **6. Proposed Changes to Development Agreement (DA)**

6.1 If Cabinet agree to the proposals set out in this report with regards to the change in the demolition strategy (3.0); the revised Affordable Housing offer (4.0) and Priority Return (5.0) variations to the current DA will be required in negotiation with Vistry.

6.2 The main changes are listed below;

- Decant Strategy (3.0)– the DA was signed on the basis of a partial separation of Perceval House and the council remaining in occupation of the retained part as described 3.1. Clauses relating to this approach will need to be removed or amended as necessary to reflect the change to a full decant strategy.
- Affordable Housing (4.0) – The Affordable Housing offer in respect to unit number, mix and tenure type has changed from that contained within the DA, as the scheme went through the consultation and planning process. A revised mechanism is to be agreed in relation to the purchase price of Affordable Housing units to be paid to Vistry.
- Priority Return (viability) (5.0) – the option to amend the Priority Return to take into account the current position and provision for varying the apportionment and allocation in respect of the current viability gap, details of which will be considered by Cabinet prior to going unconditional.

## **7. Key Implications**

- 7.1 The Council will be legally committed to proceeding with the full decant of Perceval House within the timeframe subsequently agreed within the revised DA.
- 7.2 The Council will be legally committed to the purchase of all units of affordable housing at the revised price (subject to planning permission and meeting the other conditions precedent to start the development).

## **8. Financial Implications**

- 8.1 As set out in section 3 above, since the beginning of 2020 the Council has been gradually moving services to a digital platform allowing for a more flexible service delivery model. Due to the pandemic the digitalisation has rapidly accelerated. Due to this significant change in the way in which services are now being delivered and will be delivered, the Council has reviewed the existing partial separation demolition strategy and in consultation with Vistry, SLT and Members has assessed a full decant option to now be viable.

### **8.2 Full Decant Spend Profile**

- 8.2.1 Set out in the confidential Appendix 3 is the detail estimated spend profile of the Full Decant option. The total forecasted revenue and capital spend (based on 450 workstations) reflects the relocation and decant costs between Perceval House, temporary premises and the new office to be £16.339m (£5.603m capital and £10.736m). Majority of these costs will be funded from a combination of existing revenue budget savings and cost reduction opportunities realised in capital, totalling to £13.744m;
- £2.824m average annual revenue savings from existing Perceval House budgets, equating to cumulative saving of £8.474m over a three-year period; and
  - £5.270m cost reductions released due to combination of accelerated timeline of the overall programme and avoidance of additional costs associated with a partial decant. The funds will be repurposed towards financing the capital decant costs, released over a nine-year period (estimated profile). It should be noted that due to a timing issue the Council will need to temporarily finance £3.519m of the capital decant costs in 2021/22 with reimbursements of costs being released in subsequent years.
- 8.2.2 The table below provides a summary of the spend profile for both capital and revenue.

Full Decant Option - Spend Profile Summary (450 workstations)	2021/22 Year 1	2022/23 Year 2	2023/24 Year 3	2024/25 Year 4	2025/26 Year 5	2026/27 Year 6	2027/28 Year 7	2028/29 Year 8	2029/30 Year 9	Total Cumulative
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
<b>Capital Costs:</b>										
Temporary Site Relocation Costs	3.078	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.078
Permanent Relocation / Decant Costs	1.525	0.000	0.000	0.825	0.000	0.000	0.000	0.000	0.000	2.350
Other Programme Costs	0.000	0.058	0.058	0.058	0.000	0.000	0.000	0.000	0.000	0.175
<b>Total Additional Capital Costs</b>	<b>4.603</b>	<b>0.058</b>	<b>0.058</b>	<b>0.883</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>5.603</b>
Repurpose programme budget (in-relation to cost avoidance)	(1.084)	(0.754)	(1.050)	(0.767)	(0.027)	(0.027)	(0.214)	(0.774)	(0.573)	(5.270)
<b>Net Additional Capital Costs</b>	<b>3.519</b>	<b>(0.695)</b>	<b>(0.991)</b>	<b>0.116</b>	<b>(0.027)</b>	<b>(0.027)</b>	<b>(0.214)</b>	<b>(0.774)</b>	<b>(0.573)</b>	<b>0.333</b>
<b>Revenue Costs:</b>										
Premises Costs	0.878	3.037	3.037	2.278	0.000	0.000	0.000	0.000	0.000	9.230
New Ways of Working	0.250	0.250	0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.750
Other Project Costs including contingency	0.000	0.181	0.181	0.395	0.000	0.000	0.000	0.000	0.000	0.756
<b>Total Additional Revenue Costs</b>	<b>1.128</b>	<b>3.468</b>	<b>3.468</b>	<b>2.673</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>10.736</b>
Available Revenue Budget	(0.713)	(2.852)	(2.852)	(2.057)	0.000	0.000	0.000	0.000	0.000	(8.474)
<b>Net Additional Revenue Costs</b>	<b>0.415</b>	<b>0.616</b>	<b>0.616</b>	<b>0.616</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>2.263</b>

8.2.3 The spend profile is based on high level estimates using current spend and commercial rental markets. Actual cost of the decant will only be fully known once officers start to identify suitable commercial space, detail and refine decant and relocation implementation plans. The approved budget will be held centrally and released to the workstream leads, subject to approval of a business case by the programme board, in consultation with the Chief Finance Officer.

8.2.4 It is not unreasonable to have in place tolerance levels which allow officers to update budget following revision of estimates as details of commercial negotiations and actual cost of works are known. The current delegations allow, officers to approve spend up to the value of £0.500m and variances above this value will be brought back to Cabinet for approval.

### 8.3 Capital Budget Impact of Full Decant Option

8.3.1 A total of £67.446m was approved by Cabinet previously of which £66.648m was available as at 1 April 2020. An additional £0.333m growth is being requested to be approved in this report in order to pursue the full decant option. Details of the cost profile and key assumptions are set out in the Confidential Appendix 3.

Capital Budget	Approved	Spend Capitalised to 31 March 2020	Remaining Budget 1 April 2020	New Growth	Proposed Budget
	£M	£M	£M	£M	£M
Capital Programme Budget	67.446	0.798	66.648	0.333	66.981

- 8.3.2 The additional capital growth will be funded from mainstream borrowing with the cost of financing the additional amount to be met from existing Treasury Management budget.

## 8.4 Revenue Budget Impact of Full Decant Option

- 8.4.1 In total the revenue costs that will be incurred over a three-year period are £2.263m. £0.415m budget is required for 2021/22 increasing by £0.202m in 2022/23 to £0.616m until the end of 31 March 2025, following which the funding will end.

- 8.4.2 The table below summarises the budget profile, with details included within the Confidential Appendix 3.

Full Decant Option – Revenue Budget Summary	2021/22 Year 1	2022/23 Year 2	2023/24 Year 3	2024/25 Year 4	2025/26 Year 5	2026/27 Year 6	2027/28 Year 7	2028/29 Year 8	2029/30 Year 9	Total Cumulative
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Requirement	0.415	0.616	0.616	0.616	0.000	0.000	0.000	0.000	0.000	2.263
One-off Budget Reversed	0.000	(0.415)	(0.616)	(0.616)	(0.616)	0.000	0.000	0.000	0.000	(2.263)
<b>Total Temporary Annual Budget Requirement (incremental)</b>	<b>0.415</b>	<b>0.202</b>	<b>(0.000)</b>	<b>0.000</b>	<b>(0.616)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

- 8.4.3 The revenue budget growth for 2021/22 falls outside of the Medium-Term Financial Strategy (MTFS) and 2021/22 Budget process approved by Cabinet in February 2021. As such, if the full decant strategy is approved by Cabinet then officers will look to fund any revenue costs from a combination of one-off in-year savings, mitigations or corporate reserves with a view to incept the full £0.616m growth in the MTFS as part of the 2022/23 budget process.

## 8.5 Capital Budget Impact of Affordable Housing Perceval House Development

- 8.5.1 As set out in section 4 above, the current purchase of the affordable housing units is £66.869m which allows for the Council to purchase 226 units. Even though the overall units have reduced the increase in cost reflects a combination of more 3-bedroom housing and change in the tenure mix. The report looks to seek approval of the additional funding, to be temporarily financed from borrowing until the onward sale to BLRP (paragraph 4.7).

- 8.5.2 The table below sets out the capital budget summary.

Capital Budget	Approved	New Growth	Proposed Budget
	£M	£M	£M
Affordable Housing Perceval House	65.242	1.627	66.869

## **9. Legal**

### **9.1 Best consideration**

- 9.1.1 The Council will comply with its statutory duty to secure best consideration (under Section 123 Local Government Act 1972 or Section 233 Town and Country Planning Act 1990 as appropriate) in connection with both the disposal of land to Vistry under the DA and the onward sale of the affordable housing units to BLRP. The Council's valuers confirm that the revised terms of the disposal of land to Vistry and acquisition of the affordable units still represents best consideration and will be providing a report with regard to the proposed onward disposal to BLRP when this is considered by the Housing Delivery Cabinet Committee.

### **9.2 Procurement and State aid**

- 9.2.1 Although state aid is no longer applicable the Council still needs to have regard to the principles of public subsidy control. The council's external legal advisers have advised on the procurement implications and 'state aid principles' and their advice is contained in Confidential Appendix 1

### **9.3 Appropriation**

- 9.3.1 The Council has the power to appropriate land under section 122 of the Local Government Act 1972 where the land is no longer required for the purpose for which it is held immediately prior to its appropriation.
- 9.3.2 Where land has been appropriated for planning purposes the Council may dispose of the land under section 233(1) of the 1990 Act to secure the best use of that land or secure the construction of buildings needed for the proper planning of the area.
- 9.3.3 Under section 203 of the Housing and Planning Act 2016 the Council may override easements and other third party rights (not including rights of way) when undertaking works to or using land where
- a) There is planning consent for the works or use
  - b) The land has at any time after 13 July 2016 been vested in, acquired or appropriated by the Council for planning purposes
  - c) The Council could acquire the land compulsorily
  - d) The works or use relate to the purpose for which the land was vested in or acquired or appropriated by the Council
- 9.3.4 The beneficiaries of any rights overridden by virtue of section 203 of the 2016 Act may, however, claim compensation (equal to the loss in value of their property caused by losing the right) but cannot seek an injunction to delay or terminate the development.

## 10. Value for Money

- 10.1 Lambert Smith Hampton the councils property advisors have assessed the revised terms of the DA including the purchase price to be paid to Vistry for the Affordable Housing units in terms of best value and their report is attached in Confidential Appendix 2.

## 11. Sustainability Impact Appraisal

- 11.1 Any new affordable homes will be constructed to modern planning and building regulations requirements.
- 11.2 The demolition will be managed and comply with all statutory legislation and will include a recycling strategy.

## 12. Risk Management

- 12.1 The table below sets out the principal risks and mitigation approach to the project in respect of the risks associated with the content of this report.

<b>Risk – Council Acquiring the Affordable Units</b>	<b>Implication</b>	<b>Mitigation</b>
Planning permission cannot be obtained for a scheme that is viable	The scheme stalls	The council will only be required to purchase the affordable units if the scheme starts
The market conditions for private sale in the future mean the scheme is not viable	The scheme stalls as a condition precedent for proceeding will be passing viability design	The scheme will be modified during its development into planning application and market conditions will influence that design if required. There is a mechanism for considering the overall viability in considering the obligations required under planning.
The Council cannot transfer affordable units to third party at a price that meets the cost of developing them	The Council has acquired the units but cannot recover its capital borrowing	<p>The Council will find a buyer. Under the current conditions, it is known onward sale to Broadway Living RP would be acceptable financially. Interest has also been shown by RSLs. The main risk is regulatory conditions change and that affects the achievable rent and therefore the offer price.</p> <p>A variation away from the assumed affordable tenure may</p>



<b>Risk – Council Acquiring the Affordable Units</b>	<b>Implication</b>	<b>Mitigation</b>
		increase the offer price. A lease period followed by an asset disposal would meet most shortfall scenarios.
<b>Risk – Full Decant</b> (discussed in detail in section 3.10 to 3.12 above)	<b>Implication</b>	<b>Mitigation</b>
Decant properties are not ready in time	The council cannot handover Perceval House at the time agreed in the DA and incur penalties.	Carryout further due diligence in respect to the implementation of the decant strategy to ensure all risks are identified and mitigated where possible. Concentrate on services with complex accommodation requirements to inform critical path and reduce risk.  Identify options for leased space that can be delivered if preferred accommodation is not available.  Negotiate realistic handover date with Vistry informed by due diligence and deliverable decant programme.
Estimated costs of full decant exceeded.	Additional unbudgeted funding required.	Further due diligence on cost of decant strategy as more information becomes available to crystallise budget requirement before implementation.  Minimise amount of leased space required through efficient utilisation of council buildings and robust negotiation on terms.  Efficient project management and cost control.
New office building is not ready for occupation when agreed.	Additional leased costs and costs of operating temporary decant strategy for a longer period.	Negotiate with Vistry penalties for late delivery of new office building to recover council additional costs that will be incurred.
Staff and customer health and well-being is negatively impacted	Staff/customers H&S and safety is impacted leading to potential delays to project and claims.	Due diligence will ensure H&S legislation is complied with in any

Risk – Council Acquiring the Affordable Units	Implication	Mitigation
		<p>leased and council properties used during the decant.</p> <p>The full decant strategy will remove any potential risk of staff/customers being exposed to building work/disruption during the construction of the new offices on the Perceval House site.</p>

### **13. Community Safety**

- 13.1 There are no direct implications.

### **14. Links to the 3 Key Priorities for the Borough**

- 14.1 The council's administration has three key priorities for Ealing. They are:
- Good, genuinely affordable homes
  - Opportunities and living incomes
  - A healthy and great place

### **15. Equalities, Human Rights and Community Cohesion**

- 15.1 A full Equality Analysis Assessment (EAA) was carried out in relation to the Cabinet decision of the 20th October 2015 which identified no significant issues with the proposed project and approach. An updated EAA was attached to the Officer Decision of 13th February 2019. A further EAA for the workforce (and service delivery) is attached in Appendix E and will be further refined at the point we understand which locations we will work out of, how much time staff are likely to work from home and any changes to service provision.

### **16. Staffing/Workforce and Accommodation implications**

- 16.1 While the overall development creates a new modern working environment for the council the decision on the purchase of the affordable homes has no direct impact.
- 16.2 The proposed full decant of Perceval House will require staff to work more flexibly and for longer periods away from the office environment. The NWOW project will support staff adapt to these changes and will also help managers to manage efficiently remotely. The full decant of Perceval House will ensure that staff are not adjacent to a building site during the initial 3 year building phase.

## **17. Property and Assets**

17.1 Regeneration Finance have confirmed that the following properties that are proposed to be used as part of the decant strategy during the decant phase of the Perceval House Development and will not impact on the disposal strategy.

- Greenford Depot
- Everyone Active Acton Centre
- Greenford Service Centre

## **18. Any other implications**

18.1 None

## **19. Consultation**

19.1 Results of staff survey on working locations were presented to Scrutiny Committee January 2021 providing information on working from home preferences.

## **20. Timetable for Implementation**

	<b>Existing Partial Decant</b>	<b>Proposed Full Decant</b>
Planning Application submitted	September 2020	September 2020
Planning Committee	February 2021 (deferred) March 2021	February 2021 (deferred) March 2021
Cabinet	March 2021	March 2021
Planning Decision	April 2021	April 2021
Commence Decant from front two claws	August 2021	
Commencement of Phase 1 AH units	November 2021	December 2021
Handover/Demolition of Perceval House commenced	September 2021	December 2021
Completion of the Phase 1 AH residential	March 2023	April 2023
Completion of the council offices	November 2024	November 2024
Completion of AH Phase 2	December 2026	March 2025
Completion of AH Phase 3	November 2028	December 2026
Completion of the whole scheme	March 2029	June 2027

## 21. Appendices

Appendix A – Perceval House Decant Strategy  
Appendix B - Affordable Housing mix changes from Development Agreement  
Appendix C – Analysis of Working Locations Survey, Summary for Scrutiny  
Appendix D – Engagement and Communication Strategy  
Appendix E - Equality Analysis Assessment (EAA)

Confidential Appendix 1 – Legal advice  
Confidential Appendix 2 – Best value report by Lambert Smith Hampton  
Confidential Appendix 3 - Full Decant Option financial forecast

## 22. Background Information

- 12 December 2017 Cabinet report
- 20 March 2018 Cabinet report
- 13 February 2019 Officer Decision

### Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
<b>Internal</b>				
Cllr Julian Bell	Leader / Cabinet Member for: Property & Regeneration	20/2/21	23/2/21	
Gary Alderson	Executive Director	11/2/21	4/3/21	
Lucy Taylor	Director of Growth & Sustainability	11/2 /21	2/3/21	Throughout
Jackie Adams	Legal Services	11/2/21	18/2/21	Recommendations, Section 9
Ross Brown	Chief Finance Officer	19/2/21	19/2/21	Throughout
Shabana Kausar	Assistant Director Strategic Finance	11/02/21	19/2/21	Recommendations; Sections 3, 5, 8 & 9.
<b>External</b>				

### Report History

<b>Decision type:</b>	<b>Urgency item?</b>
Key decision	Yes
Report no.:	Report author and contact for queries:
	Andy Parsons, Perceval House Programme Director <a href="mailto:parsonsa@ealing.gov.uk">parsonsa@ealing.gov.uk</a>

