

SURREY COUNTY COUNCIL**CABINET****DATE: 20 SEPTEMBER 2016****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****LEAD OFFICER: JOHN STEBBINGS, CHIEF PROPERTY OFFICER****SUBJECT: MERSTHAM COMMUNITY HUB****SUMMARY OF ISSUE:**

The proposed Merstham Community Hub (The Hub) will be a new multi-functional Surrey County Council (SCC) owned building which will house a library, youth centre, community space, and public cafe on the Triangle site in Portland Drive, Merstham. The Hub will adjoin four new Reigate and Banstead Borough Council (RBBC) owned retail units. Together they will form an integral part of the wider Merstham regeneration project which will be procured and delivered by RBBC in partnership with SCC and Raven Housing Trust Ltd (Raven).

In December 2013, Cabinet approved a capital allocation in respect of SCC's financial contribution to building the hub, and in December 2014, Cabinet granted approval to an increase in this capital allocation.

Construction work then commenced, but after a year on site, in April 2016 the appointed construction contractor entered administration, and all work on site stopped.

In order to complete the construction, it is necessary, therefore, to appoint another construction contractor. RBBC have been working to achieve this and, following preliminary negotiations with a potential new contractor, it is now known that further increased costs will be required to complete the work.

Part of the building is being leased to the Merstham Community Facilities Trust (MCFT), to allow them to work with members of the local community. This will help to fulfil each of SCC's corporate priorities, namely Wellbeing, Economic Prosperity and Resident Experience.

RECOMMENDATIONS:

It is recommended that the Cabinet grants approval to a further increase in the Capital expenditure allocation for this scheme as set out in the part 2 item of the agenda.

REASON FOR RECOMMENDATIONS:

The proposal will provide a new community hub that provides local residents with excellent facilities which will enhance their lives and help to regenerate this area of the Merstham estate. When completed, this scheme will provide a well-designed, sustainable, low energy community building for a wide range of users within easy

reach of their homes. The proposals would distinctly enhance the quality of the facilities in the local area.

As a result of the contractor going into administration, the Hub and associated retail units have been left partially completed. The construction is not water tight or windproof, and so is vulnerable to the weather. A resumption of building work at the earliest opportunity will help to limit deterioration of the building.

DETAILS:

Background

1. The Merstham estate is one of the most deprived areas in Surrey with comparatively high levels of poverty, poor housing and significant health needs.
2. SCC, Raven Housing Trust Limited, and RBBC have been improving the area for a number of years. These include environmental, soft and hard landscaping works and an investment in front line services and the voluntary sector. However, it has long been recognised that the area would benefit from:
 - A modern integrated community hub from which a range of services, both new and existing, can be delivered;
 - The removal of the Portland Drive block of shops and flats which have provided a focus for antisocial behaviour in the area; and,
 - The provision of new retail shops, managed by RBBC, which will increase the availability of fresh food.
3. The Merstham regeneration project will deliver a new integrated community hub, an improved retail offer, the removal of existing shops and, the demolition of 42 existing social housing homes of poor quality and secure their replacement with 50 new homes.
4. On 17 December 2013 Cabinet allocated capital expenditure to enable the delivery of The Hub element of the Merstham regeneration project, subject to approval of a business case by the Strategic Director for Business Services and Resident Experience, in consultation with the Leader of the Council.
5. RBBC are contributing towards the overall costs and they will increase their contribution accordingly. The RBBC element reflects the appropriate proportion of funding for that part of the building relating to the community provision.
6. Full planning consent for this scheme was granted by RBBC on 4 July 2014.
7. The building will be owned freehold by SCC and will include a new library to replace the existing SCC library in Weldon Way; a new youth centre to replace the old Oakley Youth centre in Radstock Way, a café which will be leased to an external operator; and, a space for community activities which will be leased to MCFT for the delivery of a range of services to local residents including training, job clubs, and benefits advice.

8. Subsequent to the submission and approval of tenders, costs for the wider regeneration scheme increased, and on 16 December 2014, Cabinet granted approval to an increase in the capital expenditure allocation.
9. Construction work on the hub commenced in April 2015, but subsequently, after a year on site, the appointed main construction contractor entered administration, and as a result of this, no work has been carried out at the site since 1 April 2016.
10. As a consequence, RBBC who, as noted above, are managing the construction work, have been negotiating with the contractor who submitted the second lowest bid in the original tender, in order that the construction works can be completed. SCC officers are closely monitoring these negotiations to ensure that increased costs are minimised. SCC Procurement Service have confirmed that these negotiations are compliant with standard procurement protocols.
11. This contractor has been working with RBBC contracted Employer's Agent to reach agreement on an order of costs for the completion of the construction works.
12. It is clear at this stage that the final cost of this work will be higher than previously anticipated, therefore approval is sought to a further increase in the capital allocation. The amount requested is currently an estimate, following initial negotiations between RBBC's Employers Agent and the proposed replacement contractor. This figure is subject to final contractual agreement.
13. Although a final cost will not be known until after negotiations have been completed, the Employer's Agent has advised that SCC's additional contribution is likely to amount to the sum as stated in this report. Cabinet approval is therefore being sought ahead of completion of negotiations in order to allow officers to move quickly in finalising a new contract for completion of the construction work at the earliest possible date, immediately upon completion of negotiations.

CONSULTATION:

14. Work on regeneration initiatives for the Merstham Estate has been ongoing for a number of years. This has included a range of options testing and consultation exercises:
 - A Planning for Real consultation exercise was carried out in 2000, which identified a lack of facilities for families in the area and highlighted issues of concern regarding isolated families and literacy levels.
 - An 'Options' study was undertaken by housing consultants First Call in 2002, which identified similar concerns.
15. This and other options studies led to the publication of a Local Planning Framework in 2011 which identified the Triangle site as suitable for replacement community and library facilities, and identified the existing Merstham Library site as suitable for residential redevelopment in the context of the wider regeneration scheme.
16. Consultees to original submissions:

Mr Tony Samuels, (Cabinet Associate for Assets and Regeneration Programmes)
 Mrs Mary Angell (Cabinet Member for Children and Families)
 Mrs Helyn Clack (Cabinet Member for Community Services)
 Mr Jonathan Essex (Redhill East)
 Mrs Natalie Bramhall (Redhill West and Meadvale)
 Dr Zully Grant-Duff (Reigate)
 Mrs Dorothy Ross-Tomlin (Chairman of Reigate and Banstead Local Committee).

RISK MANAGEMENT AND IMPLICATIONS:

17. Any development project carries an element of 'client construction risk' due to unforeseen items arising as construction begins. These risks are being actively managed to the greatest extent possible in respect of the Merstham Community Hub via pre-construction surveys to identify and quantify any risks. This includes ground conditions, contamination and archaeology surveys. In addition risk is further mitigated by:
- Collateral warranties from the contractor and the consultants (including the project manager) under which SCC are beneficiaries and the freeholder of the site.
 - The existence of a formal contract between SCC and RBBC governing the delivery of the Hub, which includes obligations on RBBC's part to keep SCC informed of any potential cost increases as the land owner and to obtain SCC consent to any variations to the contract and to manage the contract in a proper and professional manner. It also permits SCC to request reasonable variations to the Hub.
18. Because the start on site at the beginning of the contract was delayed, a request was made by the original contractor for an increase to their tendered figure. This was agreed and accordingly, the contingency sum has been reduced by this amount.
19. The project has been the subject of discussion for a number of years and represents a flagship partnership project which demonstrates the ability of local authority and charitable sector partners to work together to deliver facilities which significantly improve the lives of local residents. There is a risk that this project will not proceed if a decision to delay or refuse additional funding is made, and expose SCC to a financial compensation claim on costs incurred to date by Raven & RBBC.
20. There is a triangular shaped open grassed area immediately adjoining the proposed new Hub; once the building is open this will continue to be accessible to local residents for seating and general recreational use.

Financial and Value for Money Implications

21. The full financial and value for money implications are set out in the Part 2 paper.

Section 151 Officer Commentary

22. The Section 151 Officer confirms that the current approved funding is provided for in the Medium Term Financial Plan. If approved, the additional funding requested will increase the current capital programme.
23. Following scrutiny at Investment Panel on 16 August 2016, the Section 151 Officer is satisfied that the cost increases will be minimised and Property Services will continue to challenge all increases in order to contain the costs within the additional requested funding.

Legal Implications – Monitoring Officer

24. The Council owes a fiduciary duty to its Council tax payers, analogous to that owed by trustees responsible for looking after property belonging to other people. Accordingly in deciding to spend money Cabinet must take account of the interests of Council taxpayers who have contributed to the Council's income and balance those interests against those who benefit from the expenditure. It will also need to act in a prudent way having regard to the short and long term consequences of the decision.

Equalities and Diversity

25. The new community hub will be open to the local community to access and no adverse impact in respect of protected characteristics of staff or residents is anticipated.
26. The provision of a purpose built youth centre will enable Services for Young People to deliver vocational training and education directly to the relatively high numbers of young people in the immediate vicinity who are currently Not in Employment, Education or Training (NEET). Merstham contains the second highest number of NEETs within Surrey. It is a corporate SCC priority to reduce NEET numbers, and the new Hub will contribute directly towards assisting SCC to achieve this. The wider social benefits of reducing NEET numbers include savings in public spending in the longer term and improved social cohesion.

Safeguarding responsibilities for vulnerable children and adults implications

27. The provision of the community facility will provide opportunities for preventative services to support vulnerable children and adults in the local community and reduce social isolation.

Public Health implications

28. The inclusion of a café within the building is intended help increase the range and availability of fresh food for local residents. The building will contain rooms which will be available for use by the NHS, which will improve local resident's access to health facilities.

Climate change/carbon emissions implications

29. The provision of a new community facility and retail units should help to reduce the need for residents to travel outside the local area. The demolition of the existing library and youth centre and re-provision in a new shared use building

will improve energy efficiency and reduce the overall carbon footprint of Surrey County Council services. The new Hub will be constructed to the BREEAM 'Very Good' standard, and will include sustainable features including photovoltaic panels in the slate roof which will generate approximately 8% of the building's total energy requirement.

30. Energy consumption is expected to be 30% lower than the current average consumption for community centres in the UK due to the improved wall and roof insulation which exceeds current building regulation standards.
31. The orientation and size of windows has been detailed to optimise natural daylight and natural ventilation within the buildings. Overheating is avoided by careful window design and deep window reveals.
32. A key feature of the design is the roof feature incorporating roof glazing and ventilation. This drops high level light into the centre of the building, creating a feature of key rooms. This roof feature also serves to enhance the natural (passive) ventilation strategy for the building.

WHAT HAPPENS NEXT

33. If Cabinet approve the increase in capital funding, this will enable officers to provide the commitment to further funding which RBBC will require prior to concluding negotiations with the identified construction contractor and entering into a new contract with them for completion of the building.
34. RBBC has issued a 'letter of intent' to the proposed new contractor, enabling preliminary works to be undertaken to render the building wind and watertight prior to finalisation of a formal contract for completion of the building.
35. RBBC will obtain a revised programme of works from the new contractor. It is anticipated that completion will take place during Spring/Summer 2017.

Contact Officer:

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Reigate and Banstead Borough Council
Raven Housing Association
Community consultation on local development by Reigate & Banstead
Deputy Chief Executive – Julie Fisher
Assistant Director Commissioning and Prevention – Garath Symonds
Head of Cultural Services – Peter Milton

Annexes:

Sources/background papers:

Cabinet decision 5.1.2010

Cabinet decision 25.9.2012

Cabinet decision 17.12.2013

Cabinet decision 16.12.2014

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