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<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	9 <sup>th</sup> November 2017
<b>EXECUTIVE MEMBER:</b>	COUNCILLOR R. RENTON

<b>KEY DECISION REQUIRED:</b>	YES
<b>WARD (S) AFFECTED:</b>	HORLEY CENTRAL

<b>SUBJECT:</b>	<b>CONVERSION OF GUEST HOUSE INTO EMERGENCY ACCOMMODATION, MASSETTS ROAD, HORLEY</b>
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**RECOMMENDATIONS:**

- (i) That the additional capital funding and scope of project as set out in paragraph 13 of the Exempt report in part 2 of this agenda be approved and sourced from the Section 106 fund to complete the project to convert the guest house into emergency accommodation at Massetts Road, Horley; and
- (ii) That the Head of People & Communities be authorised in consultation with the Head of Property, Head of Finance, Head of Legal and Executive Members for Housing and Infrastructure, Property and Acquisitions and Finance to enter into a construction contract with the successful tenderer to complete the conversion of the guest house into emergency accommodation, subject to the project costs detailed in the report.

**REASONS FOR RECOMMENDATIONS:**

This development will provide much needed emergency accommodation in the borough. It will reduce the use of expensive out of borough bed and breakfast accommodation saving around £170,000 per year subject to household sizes. It will also enable vulnerable families to remain in the borough thereby avoiding long commutes to school and the loss of support from statutory and non-statutory sources.

Since acquiring the property a further design review has been undertaken, resulting in the increase in scope recommended by this report. As a result it is recommended that additional investment into the fabric of the building at this stage will reduce the need for capital and revenue spend on repairs and component replacement in the medium to long term. Furthermore, this report recommends preparations are made to enable a loft conversion to provide additional rooms with minimal disruption at a later date if needed. This is considered likely. The additional scope is outlined in detail in the Part 2 report later in this agenda.

The property has now been purchased and preparatory works undertaken. A competitive

tender exercise is complete and additional resource from the Section 106 fund ring-fenced for affordable housing is requested to complete the project. An additional investment of section 106 will provide on-going revenue savings and the rental income from the scheme will be invested in its operation.

### **EXECUTIVE SUMMARY:**

On 10<sup>th</sup> November 2016 the Executive agreed a budget of £1,122,160 for the purchase and conversion of a 10 bedroom detached guest house in Horley into emergency accommodation. The budget proposed was identified as an approximate cost and used Section 106 funds ring-fenced for affordable housing held by the Council.

Following acquisition of the building in March 2017 detailed design work and a project review has been undertaken to convert the building to maximise the number of rooms and ensure it provides a purposeful and robust environment for the homeless families and individuals that will occupy it. This process had led to the recommendations in the report to increase the scope of the project and associated costs.

The design and planning work has informed a competitive tender process for the building work needed to convert the building. This has shown that the original budget is insufficient to complete the improved scope of conversion work recommended in this report.

**Executive has authority to approve the above recommendations.**

### **STATUTORY POWERS**

1. The Council is required by the Housing Act 1996 Part VII to provide emergency accommodation to homeless households who are considered to be in priority need pending a decision on whether a homelessness duty is owed.

### **BACKGROUND**

2. The Council has used expensive out of borough bed & breakfast (B&B) accommodation to accommodate homeless households for many years.
3. Amongst the households placed out of borough are families with children. Families routinely commute their children from the London area to schools in the borough so that children can continue their education. However maintaining friends and support networks is extremely difficult for them. Many households lose the support provided by borough statutory agencies and local support networks. Providing effective support to these households to help them manage debt, budget effectively, access employment and childcare is extremely difficult. This compounds their housing issues.
4. In November 2016 Executive authorised the use of S106 funds to acquire a 10 bedroom guest house in Horley for use as emergency accommodation and the necessary alterations.
5. The property was acquired in March 2017 at the total cost of £884,000.

## KEY INFORMATION

### Building Construction

6. A brief summary of alterations were outlined to the Executive in November 2016, four months before purchase of the building completed. At the time the report detailed the following: a rear two storey extension in place of a conservatory, replacement of a wooden lean to with a single story extension extending the length of the building, a kitchen area in each room, a bathroom per two rooms, a laundry block and high quality CCTV internally and externally.
7. That Report referred to an approximate cost of £200,000 for works to convert the guest house. Whilst surveys had been undertaken to assess the value and condition of the property, as is usual before purchase, no detailed design work had been completed. This decision was taken because the property was only 'under offer' with no binding commitment to complete the purchase, invasive surveys and frequent visits were not possible because the property was continuing to operate as a guest house business and detailed design work risked being unnecessary in the event the purchase failed to proceed. At that point in time there appeared to be a high risk that the property would be withdrawn from sale.
8. Planning and Conservation Area permissions were sought prior to purchase and were granted for a rear two storey extension and replacement of a single storey wooden lean to with a single storey extension extending along the length of the building as detailed in the previous report. In addition, permission was also secured for a double garage with a pitched roof. Conservation Area Planning conditions have added to the costs of the project and these include the requirements for handmade bricks on all the extensions and garage, timber sash windows in the extensions and a pitched roof on the garage.
9. Following purchase in March 2017 detailed survey and design work was completed. This was informed by further research and visits to temporary accommodation operated by another council. This identified a number of additional works required that are the recommendations of this report. . All specified works have been considered within the context of maximising use of the building space, creating a safe environment for residents and staff and future proofing the property as much as possible against repairs to reduce ongoing revenue costs and limit future capital costs.
10. Whilst a garage did not form part of the original proposal, the decision was taken to seek planning permission and include this within the scope of the project. Following purchase, a further opportunity to manage revenue spending in relation to storage was identified. The garage is needed to store furniture and other items for the building. It will also assist Housing Services in its duty to protect applicant's belongings. The expectation is that the changes to be introduced by the Homelessness Reduction Act will lead to a greater need to manage storage.
11. In terms of the building structure a number of matters will be addressed. Design work has led to revisions to increase the number of rooms available for individual households to eleven rooms. Office space for a staff member and security equipment has also been incorporated. This will require additional structural works to the property. Originally, windows were expected to be refurbished, however further inspection and consultant advice regarding condition, fire safety and thermal

efficiency has led to the recommendation to replace windows throughout the property at an additional cost.

12. Fire safety works including works to compartmentalise the building, create segregation in case of fire and reduce noise transfer have been identified and recommended. Having assessed the building in detail it is apparent that the loft space is substantial and would accommodate potentially a further three to four habitable rooms. The fire safety and acoustic works would enable the loft to be converted to provide additional emergency accommodation in the future without compromising on safety or causing unnecessary disruption to residents. Additional rooms would provide revenue savings.
13. As already indicated, fire safety and sound proofing measures have been subject to detailed assessment. The costs of providing the highest levels of fire safety have been higher than initially anticipated. Furthermore, additional works have been specified to ensure noise transfer between spaces is minimised to reduce noise disturbance and nuisance between residents.
14. Following a more detailed assessment of the existing electrics, heating and hot water system, the decision has been taken to replace all. At the time of acquisition it was considered that these systems could be adapted. However, the boiler must be re-located due to structural changes in the property and a revised layout aimed at making best use of the building. In addition, the existing boiler is estimated to require replacement in less than five years therefore it is more cost effective and less disruptive to residents to replace it during the build stage. This will also ensure the property has a secure hot water and heating supply. The installation of kitchens in each room has led to the need to upgrade electrics. All of these works are far less disruptive to undertake before occupancy, will future proof the building against major works in the medium to long-term and minimise the likelihood of general repairs.
15. More robust kitchens have been specified at a higher cost. The experience gained from the Council's existing temporary accommodation has shown they need to be extremely robust as well as being simple to repair and highly functional to users. The proposed kitchens are compact, fully functioning units with fridges, hobs, microwaves or ovens. Each component is metal and is replaceable. These units are typically installed in high use locations. They will enable families to cook family meals and worktop extensions mean children can sit down to eat / do homework.
16. The security and safety of residents and our staff working in the accommodation is paramount. Following a more detailed assessment of security systems a higher specification CCTV and door security system has been recommended. Additional room security has been added to enable each new occupier to be given individualised electronic room access. Access can be monitored remotely and ended as needed.
17. The decision was taken not to install laundry facilities due to cost and restricted space in the building. Laundrette facilities are available close by in Horley town centre.

### **Managing Homelessness Costs**

18. Outline information regarding the impact of this project on reducing bed and breakfast expenditure was provided in the previous Report. A saving of approximately £170,000 is still expected. Since that Report changes have been made to housing benefit regulations. This has resulted in a slight reduction in income

to manage the scheme to approximately £80,000 pa. Income and that of the Council's other units of temporary accommodation will be used to offset the running costs of operating this scheme and will enable the employment of a member of staff to manage all emergency accommodation.

19. In 2016/17 Housing Services achieved a net budget saving of £138,000. However the Housing Service has continued to rely on private out of borough emergency accommodation and the net spend forecast for 2017/18 is £180,000. Whilst this accommodation will reduce use of B&B accommodation it will not entirely end use of it. Not all households that we have a duty to place under our homelessness duties are suitable for placement in the emergency accommodation due to safeguarding matters. Use of some private B&B accommodation will continue to be necessary.
20. This project must also be considered in light of the implementation of the Homelessness Reduction Act in April 2018. This far reaching new homelessness legislation is expected to lead to an increase in the number of households the Council must accommodate temporarily and also for longer periods. The scheme will help to mitigate against increased B&B spend likely to arise from the Act. Additional capital investment of section 106 funds at this stage, will provide year on year savings to the revenue budget. Works designed to future proof the scheme will reduce on-going capital expenditure. Furthermore, preparations at this stage to enable a loft conversion to provide additional rooms are also likely to deliver further revenue savings in the future.
21. Importantly the Massetts Road emergency accommodation will reduce the social and economic costs faced by families in B&Bs. Currently households are placed in Croydon and London. This means children must commute daily to schools in the borough, links to borough based statutory agencies are lost and households struggle to maintain support networks. It is also extremely difficult for the Housing Service to monitor placements and ensure households are receiving appropriate financial, benefit and employment advice and support. An increasing number of households placed out of borough also switch from housing benefit to Universal Credit (UC). This has led to an increasing number of issues around delays to benefits paid to households, rent payments being made direct to households, issues with budgeting and arrears. Until Universal Credit is rolled out in this area, direct placement within the borough will help reduce the likelihood of UC related financial issues.

## **OPTIONS**

### **Option 1**

22. Agree the additional budget requirement, the detailed financial information is set out in Part 2 so that the emergency accommodation can be delivered to the most robust and compliant standards. The additional funds are available in the affordable housing Section 106 fund. This would allow a contractor to be appointed and works to commence with an anticipated opening spring 2018.

This is the recommended option.

### **Option 2**

23. To agree a revised budget and scope which is higher than the budget detailed in the pre-purchase report to Executive in November 2016 of £200,000 but is lower than the option 1 budget of £424,000. The costs are detailed in Part 2 of the report.
24. The scope of the project could be revised to exclude the following and reduce project costs: double garage, reduced individual door security, reduced kitchen specification. not proceeding with the extensions. However, the number of rooms would be reduced from 11 to 7-8 with a consequential reduction in savings on B&B expenditure of between £46,000 and £62,000 and a reduced income to operate the scheme of between £50,000 to £60,000 per year. The project would have to be re-tendered with a revised specification and this would delay its opening for several months.

This is not the recommended option.

### **Option 3**

25. Keep to the original budget approval. Minimal works would be undertaken to enable the building to open as emergency accommodation. The number of rooms would be reduced as the extensions would not be built, rooms would have to be converted into bathrooms and less robust building components would be used. This option would lead to a very high likelihood of ongoing day to day repairs costs and a requirement for an immediate capital programme to replace components such as the boiler, heating system, windows and sound proofing works. Large scale works would have to be undertaken whilst the property was occupied. This means contract costs would be higher and the works would be extremely disruptive to residents.

This is not the recommended option.

### **LEGAL IMPLICATIONS**

26. There are no specific legal implications related to this report.

### **FINANCIAL IMPLICATIONS**

27. The original budget agreed to purchase and complete the alterations to the property was set at £1,122,160 at pre-purchase. Of this an approximate budget of £200,000 was set for works.
28. Design work, revisions to the specification, identification of works to future proof the property against repairs and increases in construction costs have led to an increase in the costs of converting the property. A detailed breakdown of costs is set in Part 2.
29. To proceed with the additional project work identified the Executive is requested to consider increasing the budget as set out in the Part 2 report of this agenda to complete the alterations to the guest house to bring it into use as emergency accommodation. A contractor has now been identified. The affordable housing s106 fund has sufficient monies to meet the increase in budget.

### **EQUALITIES IMPLICATIONS**

30. There are no equalities implications arising from this report.

## **RISK MANAGEMENT CONSIDERATIONS**

31. The intention is to appoint a contractor following the competitive tender exercise. In spite of best efforts to appoint a contractor with a strong financial performance there remains a risk of insolvency. Performance bonds are required to mitigate the issues should this occur.

## **OTHER IMPLICATIONS**

32. There are no other implications.

## **CONSULTATION**

33. The Executive Member for Housing and Infrastructure has been consulted on the proposals.
34. The Head of Property, Head of Legal Services and Chief Finance Officer have been consulted on the contents of this report.

## **POLICY FRAMEWORK**

35. The acquisition and conversion of this property forms part of the Council's Strategy to reduce its costs and overheads from homelessness. The Council has already acquired 8 units, although one unit, which was already in Council ownership, has ceased being used.
36. This project will support the policy of continuing to reduce the Housing Service budget for the provision of temporary accommodation.

**Background Papers:**           None