



REPORT OF:	HEAD OF PEOPLE AND COMMUNITIES
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TO:	EXECUTIVE
DATE:	21 JUNE 2018
EXECUTIVE MEMBER:	COUNCILLOR G. KNIGHT

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	HORLEY WEST

SUBJECT:	DEVELOPMENT OF LEE STREET HORLEY SITE
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RECOMMENDATIONS:

- (i) That the Head of People & Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to progress and submit a Planning Application for the development of housing at the Lee Street site, in accordance with the budget set out in Part 2 of this report;
- (ii) That the Head of People & Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to include the costs of the project within the Capital Programme as detailed in Part 2 of this report;
- (iii) That the Head of People & Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to prepare the necessary documentation and to obtain competitive construction tenders; and
- (iv) That the Head of People & Communities be authorised, in consultation with the Executive Member for Housing and Benefits, to finalise, agree and sign construction contracts for the development of the Lee Street site.

REASONS FOR RECOMMENDATIONS:

This existing site is extremely small and highly constrained. A variety of residential options have been explored for the site and indeed planning permission was granted for two bungalows and a competitive tender exercise undertaken. However, an escalation of the original scheme costs and a year on year reduction in spend on bed and breakfast accommodation led to a review of both the client group and design of the housing scheme for this site.

The revised scheme will provide the opportunity to assist four single person households into accommodation. This group has become increasingly priced out of the housing market and to date the council's housing resources have been largely directed towards families. New responsibilities for single people placed on councils by the Homelessness Reduction

Act have also led to the need provide another housing option. Households will be given support to maintain their tenancies, manage their finances, including saving for a rent deposit and to improve their employment situation in preparation for their next move.

The location and constraints of the site offer the opportunity to make use of innovative off site construction methods and support the delivery of contemporary micro homes offering attractive, well designed and functional self contained spaces for single people. The scheme will be funded by affordable housing section 106 contributions and a social rent will be charged. The rental income will be used to maintain the properties, support tenants and underpin the other functions of the Housing Service.

EXECUTIVE SUMMARY:

This report proposes a revised housing scheme on the Lee Street site in Horley. In 2015 the Executive approved a scheme for two semi detached bungalows on the site for use as family temporary accommodation as part of the strategy to reduce expenditure on bed and breakfast (B&B) accommodation. Planning permission for the traditionally built bungalows was granted, however high build costs and good progress to reduce B&B spend led to the decision to re-assess the use of the site.

Housing Services has made significant progress on the council's strategy to reduce B&B expenditure using a variety of tools mainly targeted at families. These include the investment in and on-going use of seven self-contained temporary accommodation units purchased with affordable housing section 106 contributions, the use of a variety of homelessness prevention tools and most recently the development of the 11 room emergency accommodation at Massetts Road, Horley. However in comparison, few resources have been targeted at single people.

It became increasingly apparent in the lead up to the implementation of the Homelessness Reduction Act that more resources would need to be directed at single people. In the short time since the Act was enacted in April 2018, Housing Services has been assisting an increasing number of single people and this trend is expected to continue.

This combination of factors has informed a revised scheme to comprise four self contained homes for single people on the Lee Street site. An assessment of the relative costs of different scheme configurations has been undertaken and the financial implications of delivering and operating the scheme are set out in Part 2. The project costs will be met using affordable housing section 106 developer contributions.

Using off-site construction methods, this proposed scheme will deliver four contemporary micro homes. This scheme offers the opportunity to assist single people struggling to find affordable accommodation whilst at the same time showcasing this modern construction method.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. Then Council does have statutory obligations to prevent homelessness and has homelessness duties to some households under the Homelessness Reduction Act 2017, Localism Act 2011, Homelessness Act 2002 and Housing Act 1996. The delivery of these homes for single people will assist the Council to meet these duties.

BACKGROUND

2. An Executive Report in September 2015 set out a proposal to develop two semi-detached bungalows on the Lee Street site. The homes were to be used as temporary accommodation for families and would contribute to the strategy of reducing spend on B&Bs whilst providing an asset for the Council.
3. A budget approval of £370,000 was made and planning permission was granted for two traditional brick built bungalows. The project was tendered. However, interest in the project was low and the lowest priced tender received was 35% above the budget.
4. Since 2015, the Housing Service has made significant progress on the strategy to reduce B&B spend through a combination of property investment and homelessness prevention activities. The project to purchase properties to use as self contained temporary accommodation resulted in investment in seven properties across the borough which are occupied by homeless households. These properties make a saving on B&B expenditure and generate an annual income which supports other homelessness prevention activities.
5. The purchase and refurbishment of a former guest house in Massetts Road, Horley is due to complete. Providing 11 rooms for homeless households, mainly families, the property will make a significant contribution to managing temporary accommodation costs and will provide borough based accommodation to enable families to maintain support networks and keep children in local schools.
6. Significant changes to homelessness legislation are now in place as a result of the Homelessness Reduction Act 2017. The Act has only operational since April 2018 so the full impact on the Council's housing options service has yet to be assessed. However, as a result of the Act the Council's duties to prevent and relieve homelessness have extended. To date our activities have focused primarily on families with children and we have made good progress to reduce the impacts of homelessness on this group. However, the strong indications are that we will be assisting more single people.

KEY INFORMATION

Current Position

7. The Lee Street site is vacant and secured with boarding. The proximity of adjacent housing limits any development on the site to single storey height. The existing planning permission granted in 2015 is for a pair of traditional brick built semi detached bungalows on a small footprint with parking. A competitive tender exercise was undertaken in 2015, little interest was generated in the site and the lowest submitted tender was 35% higher than anticipated.

8. Alternative options have been considered for the site. This has been driven by a number of factors and challenges facing the Housing Service. These include the extension of homelessness duties to include more single people, the council's success in reducing B&B costs for families, the development of the Massetts Road emergency accommodation scheme and an ambition to deliver a new type of home using off site construction methods.

Scheme Design

9. The proposal for Lee Street is a scheme of four contemporary micro homes for single people. The units will be 40m² and will comprise a living area / kitchen and separate bedroom with shower room. The homes are insulated to good degree and therefore running costs for occupiers will be low.
10. The scheme proposes to use modern methods of construction in the form of off-site pre-fabricated modular units built in the UK. Units will be built in a factory to our specification. Units will be fully fitted out and will include kitchens, shower rooms, heating, floor and wall finishes. The site will be prepared ready for 'plug-in' of the units. The homes will be transported by road and lifted into position by crane. Site landscaping, planting and parking provision will complete the scheme.

Client Group

11. Lee Street was originally intended to be used to accommodate two homeless families. That project was conceived at a time of significant financial pressure on the emergency accommodation budget and primarily aimed to support a reduction in B&B spend and provide a property asset for the council. Since then, significant progress has been made on reducing B&B expenditure with an expectation this will continue with the opening of the Massetts Road scheme.
12. A considerable proportion of Housing Service's resources are directed to families. This reflects the combination of the need to fulfil statutory homelessness duties, the impact on families of homelessness and the cost to the council of accommodating them. In comparison for single people, a minimal offer of financial assistance of £800, only recently increased from £500, towards a rent deposit is offered and the opportunity to apply on the housing register. More single people of all ages are approaching the council for advice and assistance because of high local housing costs. Going forward this trend is expected to increase due to the requirements of the Homelessness Reduction Act to assist more households.
13. A snapshot taken of the Register in March shows are 157 single people of working age on the Register of which 32% are working. Of those working 62% have incomes between £10,000 and £20,000, well below the borough average income of around £31,000. Our assessment of unemployed single working age households is that around 30-40% could be supported into work and for some homelessness is a barrier.
14. The proposal for four micro units at Lee Street offers an opportunity to provide another housing option for low income single working people. Tenants will be placed either through homeless duties or granted fixed term tenancies of two years which can be extended to a maximum of three years.
15. Affordable rental charges will be applied to this affordable housing scheme and in addition a deposit savings charge will be applied to tenants. The deposit charge will effectively be a rent deposit / advance savings pot for households. This savings charge will be set no higher than £10 per week and at the end of the tenancy will paid

directly to a landlord for a rent deposit to secure accommodation and / or to the tenant in the case of securing a social housing tenancy.

16. The tenancy will contain provisions regarding employment. The Accommodation Officer will manage Lee Street tenants and will provide support to households to help them manage their tenancies, to budget, to look for new, different or better employment and training opportunities and to prepare for their next move from Lee Street.
17. To be considered for the scheme, households must meet the housing register qualification rules, or be owed a homelessness duty and be working or actively searching for employment. A balance will be maintained in the scheme between households in employment at the start of the tenancy and individuals seeking employment.

OPTIONS

18. The financial implications of the options below are set out in the exempt report in Part 2 of the agenda.

Option 1

19. Deliver four homes for single people using a modern construction method as set out above. **This is the recommended option**, which will provide affordable accommodation to local households, assist the Council to meet the requirements of the HRA and support low income working households. The Council will also benefit from an ongoing rental income from these homes.

Option 2

20. Progress the original scheme to deliver two bungalows for homeless family households. **This is not the recommended option** as the units will assist fewer households, are more expensive to build and provide a lower rental income from the site. A significant level of provision has already been made for families through the Massetts Road scheme and temporary accommodation project. Furthermore, the constraints on this site support delivery of a more innovative building type.

Option 3

21. Dispose of the site. **This is not the recommended option**, this is a small constrained site with limited development options which would limit the value. In addition, the Council has already invested in works to prepare the site for redevelopment. The opportunity exists for the council to maximise use of the site to help households in need of affordable housing.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

23. The capital and revenue implications of the proposals have been set out above and in more detail in the exempt report in Part 2 of the agenda.

EQUALITIES IMPLICATIONS

24. There are no equalities implications arising from this proposal.

RISK MANAGEMENT CONSIDERATIONS

25. The main risks for the Council in undertaking development are in terms of construction cost changes and tender valuations. A contingency has been included in the overall budget.
26. There is a risk of loss of assets through the Right to Buy (RTB). Current legislation enables tenants with three years local authority tenancy to exercise the Right to Buy. Fixed term tenancies will be limited to a maximum of three years and may be set at two years. This will enable more households to be assisted by the scheme and will also reduce the risk of loss of the property through the RTB. Tenancies secured for households who have a homelessness duty owed under section 193 of the Housing Act 1996 are exempt from the RTB. Where appropriate households will be placed in the scheme where the Council has accepted a homelessness duty and granted non secure tenancies.

CONSULTATION

27. The Portfolio Holder for Housing and Benefits has been consulted regarding this proposal.

POLICY FRAMEWORK

28. This development scheme directly supports the Council's Five Year Plan priority to support residents into employment. The scheme is aimed at low paid or unemployed single people and includes support to assist households into employment or to improve their existing employment prospects. Furthermore, it supports the Council's Strategy to reduce the costs of homelessness.

Background Papers:

None