

<b>Subject:</b>	<b>Homeless Move On Scheme – Hollingbury Library proposals</b>		
<b>Date of Meeting:</b>	<b>13 March 2019</b>		
<b>Report of:</b>	<b>Executive Director Neighbourhoods, Communities &amp; Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Martin Reid / Laura Webster</b>	<b>Tel: 01273 29 3321</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**REPORT TO FOLLOW****1. PURPOSE OF REPORT**

- 1.1 In January 2019, Committee agreed that a further report on a final viable scheme for the Hollingbury Library site will come forward to a future Housing & New Homes Committee and Policy Resources & Growth Committee for approval following further consideration at Estate Regeneration Members Board.

**2. RECOMMENDATIONS:**

- 2.1 That Housing & New Homes Committee approves commencement of resident consultation on proposals to provide a Homeless Move On scheme on the Hollingbury Library site.
- 2.2 That the Policy, Resources & Growth Committee be recommended to:
- Approve an indicative budget of £2.750m financed by HRA borrowing and Homes England funding to form part of the HRA capital programme for 2019/20.
- 2.3 Housing & New Homes Committee approves the procurement by tender for a medium support accommodation service for homeless adults.
- 2.4 That Housing & New Homes Committee grants delegated authority to the Executive Director of Health & Adult Social Care (HASC) to undertake the procurement of a medium support service to the value of £150,000 per annum, and to award the contract for Five (5) years.

2.5 That Housing & New Homes Committee delegates authority to the Executive Director of HASC to extend the contract at the end of the five year term for a further period of up to two years if it is deemed appropriate and subject to available budget.

### **3. CONTEXT/ BACKGROUND INFORMATION**

#### **Homes England Grant**

3.1 This proposed scheme formed a bid to Homes England through their Shared Ownership and Affordable Housing Programme 2016-21 (SOAHP). The funding was sought under 'Specialist housing for rent' and £750,000 was awarded to the council. The bid proposed a specialist service to enable people who are making progress in their recovery journey, to move from high needs hostel accommodation into self-contained move on accommodation grouped in one scheme, with assessed support requirements funded by the council's Adult Social Care service.

3.2 Key factors for Homes England in assessing support for schemes are affordability and deliverability. While Homes England have some flexibility regarding changes to the scheme deliverability, the funds must achieve the final drawdown of final grant tranche by the programme end date of March 2021. If the scheme looks unlikely to go ahead then the grant investment risks being lost to the city.

3.3 Homes England has the right to request repayment of the entire grant if it is not used for the purposes for which it is paid. If the scheme were to change use in the future, for example from supported housing to general needs housing, the council would be required to inform Homes England who would then decide if this requires the grant to be recycled or handed back.

3.4 The payment milestones for the Homes England grant are:

○ Acquisition:	£300,000	40%
○ Start on site:	£262,500	35%
○ Practical Completion:	£187,500	25%

The council are drawing down on the acquisition costs ahead of financial year end as the appropriation of land was approved at the previous committee cycle.

#### **Proposed Scheme**

3.5 The current proposals for development of the site consist of 13 self-contained one person flats in line with the Homes England funding. One of these flats is proposed to be an office space for the service provider; the grant will therefore be reduced pro-rata to approximately £0.690m accounting for this use at present.

- 3.6 All homes on the site will be studio flats for one person of 37m<sup>2</sup>, which is in line with the Nationally Prescribed Space Standards. This is based on an initial high-level feasibility assessment of the site and further due diligence is required to confirm the final design.
- 3.7 It is proposed that an extensive neighbourhood consultation is carried out, in line with the New Homes for Neighbourhood process, before any planning application is made. This will also include consultation on the proposed use of the building as well as the new building itself.
- 3.8 It is vital that feedback from neighbours influences the design process and the proposed development is informed by the results of this consultation.
- 3.9 In addition, officers are currently reviewing the feasibility design to establish whether 13 flats plus office space can be included within the proposed footprint to maximise the Homes England grant. At present, no parking spaces are proposed due to the constrained nature of the site.
- 3.10 The initial assessment of the site has been costed through the City Build Construction Partnership in line with industry standards and this has been factored into the financial appraisal. The scheme has also been benchmarked against previous NHFN projects.
- 3.11 Variances to the scheme design will affect the overall costings provided below and officers are currently conducting various surveys to confirm assumptions made.
- 3.12 Taking the above into account we are proposing the following timescales to progress the site:
- Public consultation: April 2019
  - Planning application submitted: July 2019
  - Planning application decided: November 2019
  - Mobilisation period for contractor: December 2019 to February 2020
  - Start on site: February 2020
  - Practical completion: March 2021

These dates are indicative and will be influenced by many factors.

### **Scheme Costs and Funding**

- 3.13 Initial scheme costs are broken down as follows:

<b>Table 1 - Estimated Scheme Costs</b>	
	<b>£'000</b>
Land Appropriation	365
Basic Build Costs	1,650
Preliminaries	300
Design Contingency	150

Construction Contingency	160
Tender Price Inflation	80
Professional Fees	330
S106 Contributions	80
<b>Total Scheme Costs</b>	<b>3,115</b>
<b>Funded By:</b>	
HRA Borrowing	(2,425)
HCA Grant Funding	(690)
<b>Total Funding</b>	<b>3,115</b>

- 3.14 At present, the total scheme cost is estimated to be £3.115m, this allows for the cost of the land, the council's quantity surveyor assessment of works, professional fees, inflation and a large project contingency.
- 3.15 Due to unknown site factors such as ground conditions, it is considered the figure above is a prudent assessment and officers are working on the basis of value engineering these costs wherever practical and to ensure Value for Money is achieved.
- 3.16 The project is financially viable on the basis of the above costs, the pro rata Homes England grant and a long-term lease arrangement. Any reductions in build costs and increases in Homes England grant through scheme design will only improve the financial model.
- 3.17 It is assumed as part of the financial modelling that this lease provision will remain over the 60 year life span of the building and will be re-tendered as and when applicable. Direct management through the HRA of 13 x one bed units is currently unviable as the council would be liable for bad debts, void losses and repairs. With the lease model this risk is passed on to the service provider.

#### **4.0 Service Provision**

- 4.1 It is proposed Adult Social Care will seek to procure a service provider on a minimum five year lease who will manage the support package to residents, as well as, the internal repairs of the building. The council will remain responsible for the maintenance of the external parts of the property. The service provider will be appointed using a competitive tender process which will evaluate the bidders' experience of providing supported accommodation and their proposed service model.
- 4.2 The service provision will be for medium-level support needs with the aim of moving people on to lower level support or independent accommodation. It is proposed that the service will be staffed during office hours and will offer an on call service over night for emergencies.
- 4.3 Prospective residents will be assessed via an Allocation Panel as able to live independently with medium support. Their compatibility for the service is considered as a key part of the referral process. Specific support will be

commissioned to meet their needs which will also be mindful of supporting them to live positively within the community. Prospective residents moving from supported accommodation in the city will have had access to the range of services available to people with support needs recovering from homelessness. This includes peer support, work and learning, voluntary work, literacy, numeracy and ICT skills.

- 4.4 It is important to note, this service will be a small medium needs service for people who are recovering from homelessness and are able to manage their accommodation with a lower level of support. This service offers move on accommodation for people who no longer require high levels of support, therefore freeing up accommodation for people who do require a 24 hour staffed high support service.
- 4.5 The scheme will not be suitable for those with high level complex support needs who may require 24 hour support.

## **5. ANALYSIS & CONSIDERATION OF ANY OPTIONS**

- 5.1 The alternative options for use of the site would be the development of the site as council general needs accommodation. This option would not attract the Homes England grant funding. Also, neither would it achieve the strategic objective to provide pathways to independence and ensure timely move on to independent accommodation for predominantly older people with complex needs making sure supported accommodation offers solutions appropriate to residents as pledged in the Rough Sleeping Strategy 2016.
- 5.2 The options for the homeless move-on project are for the HRA to manage the property with the care provision being commissioned by Adult Social Care or for the HRA to lease the building to the service provider on a short term lease where the management, maintenance and repairs are provided by the service provider. Under both options the building will revert back to the HRA to use as affordable housing. The preferred, financially viable option is to procure a service provider on a minimum five year lease who will manage the support package to residents as well as the internal repairs of the building. The council will remain responsible for the maintenance of the external parts of the property.

## **6. COMMUNITY ENGAGEMENT & CONSULTATION**

- 6.1 Raising awareness and engaging with communities will be key to the delivery of these homes. In addition to the community being consulted in the usual manner on proposals through the Planning process, we would propose to adopt the same principles of extensive resident consultation as utilised under our New Homes for Neighbourhoods programme.

## **7. CONCLUSION**

- 7.1 The proposals for the scheme reflect the Council's Rough Sleeper Strategy priorities. In particular the objective to remodel and re-commission supported accommodation for homeless people with support needs.

## **8. FINANCIAL & OTHER IMPLICATIONS:**

### **8.1 Financial Implications:**

- 8.2 The financial viability modelling sets out to show whether a given scheme can pay for the initial investment itself by using the new rental stream only (net of service charges, management, maintenance, and major repairs and voids costs) over a 60 year period. Assessing the project viability over a 60 year period matches the expected life of the asset.
- 8.3 The total estimated cost for this scheme, as currently outlined, is £3.115m; this includes all construction works, allowances for contingency, inflation and professional fees. Value engineering of these costs will take place over the course of the project to ensure value for money is achieved.
- 8.4 The build costs for the current proposal have been benchmarked by Potter Raper (our quantity surveyors) and have allowed for a contingency to cover unknown factors such as adverse ground conditions, following a review of previous New Homes for Neighbourhoods projects.
- 8.5 In line with the 1-4-1 RTB pooling policy, RTB receipts cannot be utilised to fund the homeless move on proposal, due to the receipt of grant funding. The grant funding allocated to this scheme is £0.750m, however due to the potential of one of the units being used as an office space for the service provider, the current assumption in the viability modelling is that grant funding will be reduced to approximately £0.690m.
- 8.6 The balance of funding will be met by HRA borrowing which is currently estimated to require £2.425m.
- 8.7 Current proposals are for the service provider to lease the building directly from the HRA, the make-up of this lease will be for the service provider to take on the management, maintenance and voids risk of the property. The major repairs will remain the HRA's responsibility. Current assumptions on minimum lease payments made to the HRA result in a viable scheme over a 60 year period. Negotiations with the service provider will need to take account of the minimum lease payment guaranteed to the HRA to ensure the viability of this scheme.
- 8.8 At Policy, Resources & Growth Committee held on 24<sup>th</sup> January 2019, a budget of £0.365m was approved in relation to the appropriation of land from

the GF. Additional budget of £2.750m is therefore required to be approved to be included in the HRA Capital Programme for 2019/20.

- 8.9 Health & Adult Social Care have allocated a budget of £0.150m for 2019/20 to the specialised supported move-on provision as outlined in the report. At this stage the same level of budget is anticipated for future years of the new commission, however this will be subject to council's annual budget setting process.
- 8.10 As per paragraph 3.13, the current design of 13 x 1 bed flats would result in a subsidy requirement if the building were to be used as General Needs instead of Homeless Move on Accommodation from year 1. Therefore, if for any reason this could not be used for supported move-on accommodation, current costings indicate that the building of 13 x one-bed units for use as general needs housing would require a subsidy from the HRA of £0.340m. This would need to be met from HRA resources and there are sufficient reserves available in this respect. Current costs are indicative and do include reasonable levels of contingencies. Reductions in actual scheme costs would reduce the subsidy required.
- 8.11 If the scheme did not go ahead as a supported move-on scheme, a further report discussing the options and implications would be brought back to this committee for agreement. If there were any further budget implications, this would be reported to PR&G for approval as necessary.

*Finance Officer Consulted: Craig Garoghan/Monica Brooks Date: 28/02/19*

8.12 Legal Implications:

Legal advice will be provided as necessary as the project progresses. The grant of a lease constitutes a disposal of land, for which Policy Resources and Growth Committee's approval is usually required. However if the terms of the 5 year lease are considered by a Valuer to constitute the best consideration reasonably obtainable, then the grant of the lease will fall within officers' delegated powers.

*Lawyer Consulted: Liz Woodley Date: 03.02.19*

8.13 Equalities Implications:

The delivery of the scheme supports the delivery of both the city's Housing Strategy and Rough Sleeping Strategy creating an opportunity to provide move on accommodation to vulnerable households in the city. This will also have a positive impact on rough sleeping freeing up desperately needed places in high support accommodation.

8.14 Sustainability Implications:

The homes delivered will be built to high sustainability and energy efficiency standards, including photo voltaic panels on roofs where feasible.

Any Other Significant Implications:

8.15 None identified

**SUPPORTING DOCUMENTATION**

**Appendices** Interim feasibility drawings (subject to change)

**Documents in Members' Rooms** None

**Background Documents** None