

Committee: Cabinet

Date: 11th November 2013

Agenda item:

Wards: All

Subject: Homelessness Change Programme

Lead officer: Director of Community & Housing, Simon Williams

Lead member: Councillor Nick Draper, Cabinet Member for Community & Culture

Forward Plan reference number: 1321

Contact officer: Angela Chu, Housing Strategy Manager

Recommendations:

- A. Cabinet to note the proposed improvement options for the council-owned homeless hostel at 8 Wilton Road presented in section 2.3 of this report, and to agree to build a new Annexe as part of the hostel improvement project.
 - B. Cabinet to note the funding options as set out in 2.7 of this report, and to agree to fund the entire improvement project cost of £530,000 from the Section 106 Housing funding pot, but that delegated authority be granted to the Director of Corporate Services, in consultation with the Director of Community and Housing and the Cabinet Member, to approve any amended option using GLA funding should the GLA agree to more reasonable funding conditions.
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The report seeks Cabinet's approval to undertake a building improvement project at 8 Wilton Road SW19, a homeless hostel owned by the council. The aim of the project is to improve facilities for homeless young people, by replacing shared-bedrooms with self-contained bedrooms, and to provide additional communal facilities in the hostel. The recommended option will also provide additional supported housing units for single homeless young people.
- 1.2 Merton Council had submitted a bid to the GLA for funding to extend and improve 8 Wilton Road, through the Homelessness Change Programme. The bid included proposals to refurbish the existing building at 8 Wilton Road, and to build an Annexe to the side of the building to maximise the capacity of the hostel. The bid was partially successful, with the GLA agreeing to provide the council with £200,000 to undertake improvements work to the existing building only. This is equivalent to 80% of the £250,000 estimated costs to refurbish and extend the existing building. The council is expected to provide 20% match-funding and £50,000 of rental income from previous years has been set aside for this purpose.

- 1.3 A Project Team was set up following the confirmation of GLA funding, involving the Facilities Management and Planning teams as well as SPEAR to discuss design and planning issues. The Project Group has found that the improvement of the existing building provides limited scope to meet the objectives of the Homelessness Change Programme, as the replacement of shared bedrooms and an improved reception area would actually result in a reduction of the number of bedspaces available. The Project Group therefore recommends the building of an Annexe to the side of the building as per the original GLA bid, in order to maximise the benefits of this project to residents; to make best use of the available space; and to increase the council's capacity to meet the projected increase in demand from this client group. The building of the new Annexe will require additional funding of £280,000.
- 1.4 As part of the Homelessness Change Grant Funding Agreement, the GLA requires that grant recipients must add a restriction clause to the Land Registry Title of the property concerned, in order to protect their investment. The restrictive clause is considered by the council as disproportionate to the relatively small amount of funding being granted to Merton, however, a formal request by the council to amend the clause was not agreed by the GLA. This means that in order to access the £200,000 GLA funding granted for the improvement of the main building, the council has to comply with the requirement to add this restrictive clause to the title deed of 8 Wilton Road.
- 1.5 Section 2.3 of this report sets out improvement options for the project and funding options are presented in section 2.7 of this report. The recommended option is for the council to build the new Annexe as part of the hostel improvement project, and to fund the entire project cost of £530,000 from the Section 106 Housing funding pot, which has a current balance of £791,368, thus removing the need to add the restrictive clause required by the GLA.

2. DETAILS

2.1 The Homeless Hostel Service

- 2.1.1 The supported housing provision at 8 Wilton Road for young single homeless people was established in 1987, and has been run by the charitable organisation 'MASH', or Merton Action for Single Homeless since its opening 26 years ago. MASH was established as a charitable company limited by guarantee by Threshold Tennant Trust and the London Borough of Merton, and it was granted a lease of 8 Wilton Road by the council that year to run a direct access first-stage hostel service for up to 9 single homeless people.
- 2.1.2 The Council has been providing the project with revenue grants since 1987, although the amount of grant has been reduced in recent years. The Leasing Agreement was also replaced by a Management Agreement in the early 2000s. On 1st June 2011, MASH became part of SPEAR, a homeless charity based in Richmond that has a focus on helping their clients develop the skills needed to move towards full independent living.
- 2.1.3 The stated aim of the MASH project is *"the provision of housing and related facilities for single homeless people, particularly those between the ages of 16*

and 21, in the London Borough of Merton and surrounding districts, who are in need of proper living accommodation”.

- 2.1.4 MASH is the only direct access hostel in Merton, and a valuable resource used by the Housing Options Team, the 14-Plus Team and other agencies to accommodate young single homeless people with support need. Support are provided by staff on site 24 hours a day, seven days a week. The service has 9 bedspaces in 5 shared bedrooms and provides first-stage short-stay accommodation and support for about 25 young people every year. This includes about 5 self-referrals. Residents can stay for a maximum of 12 weeks, although more and more young people referred to the service have complex needs and many of these young people remain in the hostel beyond the maximum 12-week period.
- 2.1.5 The MASH service assists young residents to move on to semi-independent or independent living, by making use of the skills development resources offered by SPEAR, and supporting residents through education, training and employment. At the end of their stay, young residents either move on to second-stage supported housing provided by organisations such as Grenfell, or are provided with a social housing tenancy, or return to live with family or friends.
- 2.16 SPEAR is currently developing initiatives that will increase move-on opportunities for young residents, and help create a pathway to independence for these young people. This will also enable the hostel to assist more than the average 25 young people per annum.

2.2 The Building at 8 Wilton Road

- 2.2.1 8 Wilton Road is located within a residential area in Colliers Wood. It is a double bay front, semi-detached Victorian house owned by the council, with a total of 6 bedrooms of which one is used a staff accommodation. The remaining 5 shared bedrooms provide a total of 9 bedspaces for single young homeless people.
- 2.2.2 The Housing Strategy Service has been responsible for managing the repairs and maintenance of 8 Wilton Road since the hostel service was first set up. Prior to the transfer of housing stock to Merton Prior Homes, repairs and maintenance jobs and all safety tests for 8 Wilton Road were arranged through the council's Housing Management Division. Since the stock transfer in March 2010, repairs and maintenance work, as well as safety tests for the building, have been arranged through the council's Facilities Management Team.
- 2.2.3 The property has not had any major capital spend for the past 20 years, and is in much need of refurbishment. The original kitchen and bathroom are in much need of an upgrade as are the laundry facilities. A Stock Condition Survey undertaken in 2010 had recommended c.£10,000 of urgent work to be carried out immediately. However, only the recommended Asbestos Survey and Water Safety Risk Assessments were carried out and the remaining improvement work were put on hold pending the outcome of the GLA funding bid. In addition to the need to replace the kitchen and bathroom, the Stock Condition Survey identified the cost of cyclical maintenance over 5 years to be in the region of £23,500. Again, non-urgent work were put on hold pending the start of the Homelessness Change Improvement Project. The condition of the property has deteriorated

since, and recently a resident was hurt by broken glass when the glass of a window in her bedroom suddenly broke and fell onto her.

2.3 Proposed Improvement Options

2.3.1 As the GLA had agreed to fund only the improvement and extension of the existing building at 8 Wilton Road, a Project Team involving Facilities Management, Planning and SPEAR was set up to discuss how the existing layout of the building could be changed to incorporate key changes required by the Homelessness Change Programme, which includes the replacement of shared bedrooms with self-contained units, the creation of a friendly and welcoming reception area, disabled access unit, and the provision of additional communal facilities such as meeting rooms and IT/Training rooms.

2.3.2 Although there is scope to build an extension to the back of the existing building, the Project Group has found that even with the additional space provided by an extension, improvement work would result in the loss of 2 bedspaces because of the need to replace shared bedrooms and to provide additional communal facilities. Given that there is sufficient space to the side of the building to build an Annexe, the Project Team recommended the inclusion of this in the Improvement Project, at an additional cost of £280,000.

2.3.3 The Table below compares the facilities in the existing building with the two improvement options.

Existing Layout	<ul style="list-style-type: none"> ▪ 5 bedrooms providing 9 bedspaces ▪ 1 staff bedroom ▪ Office ▪ IT room ▪ Kitchen / dining area
Improvement Plan without New Annexe	<ul style="list-style-type: none"> ▪ 6 bedrooms (of which 3 self-contained with ensuite facilities), providing 7 bedspaces; ▪ 1 ensuite staff bedroom ▪ Accessible shower/WC ▪ New reception area / office ▪ 1 small consultation room ▪ New IT Suite ▪ New multi-use space ▪ Kitchen /dining area
Improvement Plan with New Annexe	<ul style="list-style-type: none"> ▪ 15 bedrooms (of which 9 self-contained with ensuite facilities), providing 17 bedspaces ▪ 1 ensuite staff bedroom ▪ All additional communal / office facilities as shown in the option without New Annexe above ▪ One additional kitchen / dining area

2.3.4 The proposed new annexe building itself will have 8 bedrooms (9 bedspaces). In addition, building the Annexe with a communal bathroom on the first floor will remove the need to have a first floor communal bathroom in the main building, allowing it to be turned into an extra bedroom, and providing a total of 9 bedrooms (10 bedspaces).

2.3.5 The proposed design includes an option to use part of the new Annexe as an independent building which would provide 4 bedrooms (of which 2 with ensuite facilities), with its own separate entrance and kitchen / dining area. This could potentially be used for a different client group in the future, giving the council the flexibility to respond to changing needs.

2.3.6 As with other GLA funding programme for housing projects, there is a drive for value for money, and only projects considered providing value-for-money would be approved. In our bid submission to the GLA, we had proposed a unit cost of £35,000 which was agreed by the GLA. As the estimated build cost for the proposed new Annexe is £280,000, the unit cost for the additional 9 bedrooms is c.£31,000, providing even better value for money.

2.4 Project Benefits

2.4.1 Apart from the intended benefits for single homeless young people, there will also be benefits to the council by including the new-build Annexe in the project, as follows:

- An additional 9 bedrooms / 10 bedspaces, increasing the council’s capacity to meet projected increase in demand
- Increased rental income from the additional bedspaces
- Remove the need to decant residents at considerable cost to the council
- Added value for the council with SPEAR supporting an additional 8 young people, with the same level of social care commissioning funding
- An option for the council to meet the needs of a different client group in the future by using part of the Annexe as an independent building
- Increase in the market value of this council-owned property, which can be used as two independent buildings

2.4.2 As there has been no capital investment made to the property at 8 Wilton Road for the past 20 years, it is in need of urgent upgrading. The following essential improvement work would still need to be undertaken by the council if we did not go ahead with the improvement project.

Essential Work	One-off Amount (excludes VAT)
▪ New Kitchen	£13,140
▪ New Bathroom	£4,928
▪ New Doors (external & internal)	£17,520
▪ New Windows	£8,213
▪ General Repairs	£3,833
Total	£47,634

2.4.3 The proposed building of a new Annexe is also likely to result in significant revenue savings for the council. As the new Annexe will provide an additional 9 bedrooms (or an additional 10 bedspaces compared to the refurbishment of

existing building option), the proposed improvement project will increase the hostel's capacity by 89%. Based on the annual referral figure of 25 young people to the hostel, it is estimated that the new Annexe will enable the council to assist an additional 22 young people every year. The table below shows the breakdown of estimated total savings to the council's revenue budget of around £340,000 per annum.

Savings	Division	Details	Amount per annum
Reduce cost of cyclical maintenance	Housing	Because of the poor state of the building, annual maintenance cost is estimated to be £10,000 per annum. Undertake improvement work will reduce it to £2,000 per annum.	£8,000
Avoid cost of placing homeless young people in temporary accommodation	Housing	Based on the cost of placing an additional 22 young people a year at an average of 26 weeks at £300 a week.	£171,600
Avoid an increase in revenue grant funding for support services	Social Care	SPEAR has agreed to support an additional 8 young persons without an increase in grant funding. SPEAR is currently paid a grant of £16,080 per bedspace per annum by the council.	£128,640
Savings in the form of additional HB income	Housing	Based on weekly rent in 2014-15 estimated to be £86.94 (based on an estimated 2.8% increase in RPI) for 8 bedspaces. Rent increase by RPI+0.5%+£2 annually.	£36,167
Total Savings			£344,407

2.5 GLA Contract Clause

2.5.1 As part of the Homelessness Change Grant Funding Agreement, the GLA requires that grant recipients must add a restriction clause to the Land Registry Title of the property concerned, in order to protect their investment. The clause stipulates that "No lease of seven years or more or transfer of the registered estate by the proprietor of the registered estate is to be registered without a written consent signed by the Greater London Authority".

2.5.2 As the restriction is not time-limited, this requirement is considered disproportionate given the relatively small amount of grant funding awarded to the council. The council had formally requested that the GLA accept a more appropriate and proportionate time-limited restriction of 10 years. However this was not agreed by the GLA, stating that this is a standard clause of their funding contract. The GLA has however confirmed that their decisions to grant or withhold consents will have to be reasonable.

2.5.3 While the required clause is disproportionately restrictive, the council has not granted any lease to the property since the early 2000s, and has no plan to grant any new lease in the foreseeable future. The MASH project has been running for 26 years and the demand for the service is increasing. Any proposal to use the property for a different purpose will require the identification of an alternative building to house the homeless hostel service and its residents.

2.6 Section 106 Funding

2.6.1 S106 of the Town & Country Planning Act 1990 (as amended) permits Local Planning Authorities to enter into agreements with applicants for planning permission to regulate the use and development of land. This may involve the payment of a financial contribution for offsite works. In 2006-07, the amount held in the S.106 Housing pot was just over £4 million, made up of S.106 contributions from housing developments of 9 units or more across the borough. This is separate from the S.106 revenues from housing schemes of 9 units or less.

2.6.2 Allocations of S.106 have been made towards new affordable housing projects since 2006-07. Appendix I lists all the S.106 allocations made and additional contributions received since 2006-07. The uncommitted amount available through the S.106 pot as at October 2013 is £791,368. No proposal on how this funding could be spent has been presented to the council in the last 2 years. There is therefore sufficient funding available for the council to either part fund this hostel improvement project or fund 100% of the project cost of £530,000. Funding options are set out in section 2.7 below.

2.6.3 The Community Infrastructure Regulations 2010 require that a planning obligation must be:

- i. Necessary to make the development acceptable in planning terms
- ii. Directly related to the proposed development
- iii. Fairly and reasonably related in scale and kind to the proposed development

2.6.4 The proposed building of a new Annexe at 8 Wilton Road will provide 9 additional affordable supported housing units (10 bedspaces) as part of the MASH Building Improvement Project, and does fulfil the criteria set out in 2.6.3 above. Subject to the council agreeing to the recommended option, it is proposed that the sum of £530,000 be linked to the Project's expenditure which will be spent over two financial years (2013-14 & 2014-15).

2.7 Funding Options

2.7.1 The table below summarises the improvement options and funding options for Members to consider:

Improvement Options	Cost	Funding Options
1. Improve existing building only	£250k	a) Take up the £200k GLA grant with £50k council match funding, and accept the GLA's restrictive contract clause

		b) Fund the £250k project cost from S106 Housing funding pot
2. Improve existing building and build new annexe	£530k	a) Take up the £200k GLA grant with £330k council match funding, and accept the GLA's restrictive contract clause b) Fund the £530k project cost from S106 Housing funding pot

2.7.2 Improving the existing building only according to 'Homelessness Change' criteria (Option 1 above) is likely to affect the financial viability of the hostel and will reduce the council's capacity to meet needs, as the number of bedspaces will be reduced by two.

2.7.3 The Project Group had discussed the option to wait for future funding opportunities that could help finance the building of the new Annexe. However, the following points were raised:

- From a project management point of view, there are cost savings in undertaking the two parts of the proposed project together
- From a Planning point of view, there is a view that a second application for the new build part of the project is unlikely to be approved, so it would be best to submit one application for the whole project
- Building a new Annexe will remove the need to decant the property at considerable cost to the council

2.7.4 It is therefore recommended that the council agree to Option 2 above, which will significantly increase the council's capacity to meet current and future needs, and to respond to projected increase in the young people population in Merton and a steady increase in homelessness. As well as providing improved services with better facilities for more vulnerable young people, Option 2 will also result in financial benefits to the council as set out in section 2.4 above.

2.7.5 With regards to funding options, it is recommended that the council funds the improvement project of £530,000 (Option 2) entirely by using monies from the S106 Housing funding pot, as this will remove the need for the council to add a restrictive clause to the Title Deed of 8 Wilton as required by the GLA. If agreed by the council, the GLA would be informed and be asked to reconsider if they would provide the council with the £200,000 funding without the requirement for the restrictive clause.

2.7.6 It is recommended that delegated authority be granted to the Director of Corporate Services, in consultation with the Director of Community and Housing and the Cabinet Member, to approve any amended option using GLA funding should the GLA agree to more reasonable funding conditions.

3. ALTERNATIVE OPTIONS

- 3.1 Two improvement options for this project are set out in section 2.3 of this report and the funding options are set out in section 2.7 of this report.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 Consultation with staff and young residents of 8 Wilton Road was undertaken at the design stage. In response to comments made by some of the young residents, who said they would prefer to live in shared rooms rather than self-contained single rooms, the original design was amended to include 2 shared bedrooms. Informal consultation with neighbours took place on 17 October 2013 through an open evening at 8 Wilton Road, where drawings of the proposed improvement plan were available for local residents to inspect, and council as well as SPEAR staff were available to answer questions.

5. TIMETABLE

- 5.1 Planning application for the improvement work has already been submitted, and the proposed work will be put out to tender in the month of November 2013. Subject to the recommendations being agreed by Cabinet on 11 November 2013 and planning permission being granted, it is anticipated that work will start on site between January and February 2014.

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 The proposal to build an Annexe to 8 Wilton Road as part of the building improvement project will require funding from the council's Section 106 'Housing' funding pot. Agreeing to fund the proposed project without the GLA grant would remove the need to comply with the GLA's requirement to add a restrictive clause to the Land Registry Title of 8 Wilton Road. Details of these outlined in the main body of the report.

7. LEGAL AND STATUTORY IMPLICATIONS

- 7.1 As well as fulfilling legal requirements to ensure the health and safety of staff and residents of the MASH hostel, the council also need to meet objectives set out in its Homelessness Strategy, which is a statutory document. The improvement of the MASH hostel will help the council fulfil its statutory functions.

8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 The provision of hostel accommodation and support services to young single homeless people helps the council fulfil its duty under the Equality Act 2010. As BME young people are over-represented in single homeless young people and more likely to be at risk of repeat homelessness, the provision of an expanded service will increase the council's capacity in assisting BME young people through a pathway to full independence. Once completed, the project will also be able to accommodate single homeless young people with physical disabilities, as an accessible shower/WC will be provided.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 As many young single homeless people are at risk of offending with some fleeing from gang-related violence, the provision of additional supported accommodation for this client group will enable the council to help more young people who are at risk of offending/re-offending or of gang-related violence.

10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1 All proposals set out in this report have been developed with the aim of minimising risks to the council by improving the condition of the building at 8 Wilton Road, and by maximising resources available to meet current and future housing needs.

11. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 11.1 Appendix I - Available Section 106 Funds
11.2 Appendix II – Existing Floor Plan
11.3 Appendix III – Proposed Floor Plan with Annexe

12. BACKGROUND PAPERS

- 12.1 None

APPENDIX I

Available S.106 Funds

Opening Balance 2006-07 -		£4,008,143.20
Less Allocations:		
▪ Haslemere Avenue	£425,000	
▪ Clivedon Road	£220,000	
▪ Durham Road	£200,000	
▪ St Catherine's	£287,500	
▪ Broadway House	£990,000	
▪ Western Road	£1,520,000	
Total Allocations:		£3,642,500.00
Balance Forward from old S106 monies	-	£365,643.20
Funds Received in the last 2 years		£425,724.84
Remaining Balance held with Finance as of October 2013		£791,368.04