

Executive

15 March 2018

Report of the Assistant Director, Housing and Community Safety

Portfolio of the Executive Member for Housing and Safer Neighbourhoods

James House temporary homeless accommodation – approval for budget revisions and authorisation to appoint the successful contractor

Summary

1. This report seeks Executive approval to utilise Homes England funding to support the overall costs of the project to redevelop James House for a scheme of 57 flats and associated reception and staff offices to provide temporary accommodation for homeless households.
2. The additional grant means the additional costs of the scheme identified within the report of £12.4m can be contained without the need for any additional council resource. This approval is needed to enable the appointment of the contractor to the scheme following a competitive tender.
3. The approval will enable £2.451m of grant funding from Homes England (formerly the Homes and Communities Agency) to be secured as a contribution to the costs of the project. This funding is conditional on the redevelopment starting on site by March 29th. Securing the Homes England grant funding is essential to enable delivery of the scheme at the revised total cost of £12.4m and will mean a reduction in the cost to the council of delivering the scheme even taking into account an overall increase in the cost of the project. It will also ensure that the number of units will increase from 55 to 57.

Recommendations

4. Executive is asked to approve option 1:
 - a) Recommend to council the revised budget for the James House project to £12.4m, financed from £2.451m Homes England Grant, and £9.949m from the Housing Revenue Account (investment reserve, capital receipts and

commuted sums). There by ensuring no increase in cost to the council.

b) Approval for officers to award the works contract

c) Approval for officers to seek further grant funding from Homes England.

Reason: To enable the construction contract for the new homeless accommodation at James House to be awarded, £2.451m of Homes England grant funding to be claimed and a start of site achieved by 29th March 2018.

Background

5. In December 2014 Cabinet agreed to:

(i) The demolition of the existing Ordnance Lane hostel to be replaced with a new modular build hostel, with the remainder of the site to be used for new council housing.

6. On 16th March 2017 a report to the Executive advised that the contractor to build the replacement homeless accommodation at Ordnance Lane had gone into administration. The report also sought approval to purchase James House as an alternative to re-tendering and building the replacement accommodation at Ordnance Lane. On 30 March 2017 Full Council approved the Executive recommendation for a budget of £10.5m for the purchase and conversion of James House. The funding identified was to be from a combination of CYC Housing Revenue Account resources including Investment Reserve, Capital Receipts and Commuted sums.

7. In July 2017 The Homes and Communities Agency (now Homes England) awarded the council £2.365m grant funding towards the cost of acquiring and refurbishing James House. Subsequently a further £86k was awarded when the proposed scheme increased from 55 to 57 flats giving a total grant award of £2.451m.

8. The Homes England grant funding is conditional on a start on site being made by end of the financial year (29th March). If this is not achieved 40% of the grant could be claimed as the 'acquisition' tranche of funding but there is no guarantee that further funding would be available to bid for in 2018/19 or that any such bid would be successful.

9. Planning consent for the conversion and change of use to temporary homeless accommodation was granted on 18th January 2018.

10. The specification for the conversion works was competitively tendered on 19th January with five contractors subsequently shortlisted. Tenders were returned on 23rd February and all were for a contract sum higher than the current budget for the project.

Consultation

11. There has been consultation with neighbouring businesses and residential neighbours as part of the planning process. No objections to the scheme have been made.

Options

12. In summary the options are:

Option 1:

- a. Recommend to council the revised budget for the James House project to £12.4m, financed from £2.451m Homes England Grant, and £9.949m from the Housing Revenue Account (investment reserve, capital receipts and commuted sums).
- b. Approval for officers to award the works contract
- c. Approval for officers to seek further grant funding from Homes England.

This is the recommended option.

Option 2: To instruct officers to retender the scheme

Analysis

13. **Option 1.** The revised cost of the purchasing and converting James House is £12.4m following the return of tenders for the conversion costs. This is £1.9m above the £10.5m project budget approved by Council in March 2017. However, this original budget did not take into account a subsequent successful bid for £2.451m of Homes England grant funding. Conditional on a start on site being made before March 29th, the award of this grant funding will reduce the amount of council resources needed to deliver the scheme to £9.949m.

Council funding	£9.949m
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Homes England Grant	£2.451m
Total	£12.4m

14. When the original budget was set it was considered to be sufficient to deliver the project. Following the purchase of the building in April 2018 elements of the scheme specification have been amended to reflect client, planning and building control requirements. During those changes professional advice was that the final cost would still be expected to be within the original budget. The outcome of the competitive tender for the works makes clear that some of these changes have contributed to the cost increase to the overall project alongside the wider factors of the market setting the price through the competitive tender.
15. The current design of the project reflects the need for a scheme that maximises the number of flats, provides a controlled and safe access and building environment, minimises running costs, and has improved the longevity of the building by including upgrades to all the windows and re-felting of the roof. Many of these higher initial costs will be offset by significantly lower future maintenance and repair obligations.
16. Officers have discussed with Homes England bidding for further grant funding as a contribution to the increased cost of the project. There is a good likelihood of grant being available but this is predicated on a start on site before March 29th and with the assurance to Homes England that the council has an approved budget in place to fund the balance of the programme.
17. The main design factors that have increased the costs of the project have been:
 - An increase of two flats from the original proposals.
 - A grant condition from Homes England that the majority of flats must meet a minimum of 80% of National Development Space Standards. The original design and budget did not consider they were not based on a presumption of a successful claim for grant funding. Therefore to ensure this standard can be met without a reduction in the overall number of units 11 duplex flats have been included that make use of the roof space. This has also increased the capacity of the scheme.
 - The replacement of all windows to achieve current requirements of thermal and acoustic efficiency and to prolong their lifespan.
 - The creation of a separate access road down the side of the building to the rear car park. This is to avoid vehicles driving through the

‘courtyard’ between the two buildings and enables that space to be a safe amenity space for residents including a children’s play area.

- Replacement of the roof underfelt and treated wooden battens due to compromises in the quality of the existing felt when this was exposed during the strip out of the building.
- The creation of a second external refuse store following discussions with Building Control officers. This is to reduce the distance to the refuse stores for residents and also to enable effective day to day waste management and maintain the integrity of a single access point to scheme.
- Provision of a lift to the second building. This is necessary for staff and residents when moving bulky or heavy furniture to and from the flats.
- Enhancements fire protection from the minimum required including a misting system and dry risers.

18. **Option 2:** Re-tendering the project is very unlikely to result in a reduction in the cost unless the design specification is also reduced. This would lead to poorer outcomes in key elements of the scheme including a reduction in the number of flats and bedspaces, reduced environmental sustainability and compromises to the creation of a safe and secure residential environment for a vulnerable customer group.

19. It would also put at risk at least £1.48m of Homes England grant funding as only an ‘acquisition tranche’ of £980k could be claimed if work has not started on site by 29th March. There is no certainty that re-bidding for grant funding would be possible or successful. Re-tendering will also add delays to the project being completed and will necessitate the need to continue using the inadequate homeless accommodation at Ordnance Lane, Holgate Road and Crombie House. As a consequence there would also be delays in releasing these sites for other uses.

Council Plan

20. The proposals re-provide the temporary homeless accommodation currently based at Ordnance Lane, Holgate Road and Crombie House into a single building at James House will meet a number of the council’s corporate priorities 2015-19 including the following:

- Ensuring vulnerable people are safe and feel safe.
- Use of all council services to protect children and adults from abuse and exploitation

- Supporting everyone to achieve their full potential.
- Making support services available to those who need them.
- Ensuring all York's residents live and thrive in a city which allows them to contribute fully to their communities and neighbourhoods. Residents can access affordable homes while the greenbelt and unique character of the city is protected.

Implications

21. **Financial.** The inclusion of Homes England grant of £2.451m reduces the need for HRA funding required to fund the overall development from £10.5m to £9.949m.
22. The table below details the change in budget and funding from the approved decision in March 2017.

	Original	Revised	Change
	£'000	£'000	£'000
Internal Funding			
Investment Reserve		5,000	
Housing Capital Receipts		4,549	
Commuted Sums		400	
Total Internal Funding	10,500	9,949	-541
External Homes England Grant Funding		2,451	+2,451
Total Budget	10,500	12,400	+1,900

Human Resources (HR). None

Equalities. None

Legal. None

Crime and Disorder. None

Information Technology (IT) – None

Property - None

Other – None

Risk Management

23. The key risk is that if approval of a revised budget for this project is not given then at least 60% the Homes England grant award may be withdrawn because works must start on site before 29th March. This

grant is essential unless the council is willing to commit more of its own capital into the project. Without the approval of the revised budget the successful contractor that tendered for the work cannot be appointed.

These risks are being mitigated in advance of the Executive where they can by finalising the contract with the successful bidder subject to approval by the Executive. Similarly, agreement will be made with the contractor on the works necessary to meet the criteria for a start on site. All necessary preparation is being made on the Homes England portal to enable the grant claim to be made immediately on approval of the budget.

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Report
Approved



Date 1 March
2017

Wards Affected: Guildhall Ward

All

For further information please contact the author of the report

Specialist Implications Officers

Financial: Patrick Looker, Finance Manager 01904 551633

Background Papers:

Update on the re-provision of the Ordnance Lane temporary homeless accommodation. Executive, 16 March 2017.

Annexes

None