

Agenda Item No: 14
Report To: Cabinet
Date of Meeting: 07 December 2017
Report Title: Short Stay Accommodation
Report Author & Job Title: Sharon Williams
Head of Housing
Portfolio Holder Cllr. White
Portfolio Holder for: Housing



Summary: The Economic and Regeneration Investment Board (ERIB) agreed the purchase of 112 Beaver Lane in May 2017. This report updates on the progress for the proposal to convert the property into our second short stay accommodation facility together with details of the necessary budgets.

Key Decision: NO

Significantly Affected Wards: Beaver Ward

Recommendations: **The Cabinet is recommended to:-**

- I. Approve that a capital budget of £500,000 is allocated to enable the conversion works at 112 Beaver Road to create a short stay accommodation facility.

Policy Overview: The Council has a statutory duty to accommodate those households who are considered to be homeless and in priority need. The duty arises immediately where the Council has reason to believe that a household is homeless within 28 days. This has often led to a reliance on bed and breakfast accommodation but the Council identified a priority to identify property suitable for conversion into short stay accommodation as an alternative to bed and breakfast.

Financial Implications: The purchase of 112 Beaver Road as a suitable property for conversion into short stay accommodation was approved by the Economic and Regeneration Investment Board (ERIB). The purchase sum offered was £446,000.

The financial implications are set out in Appendix 2.

Legal Implications	The Council duties towards the homeless are set out in the Housing Act 1996, amended by the Homelessness Act 2003. The Homelessness Reduction Act 2017 has received Royal Assent and comes into effect in April 2018.
Equalities Impact Assessment	Not Required
Other Material Implications:	The proposed conversion works are subject to the completion of the purchase of 112 Beaver Road and subject to achieving planning consent.
Exempt from Publication:	NO
Background Papers:	None
Contact:	Sharon.williams@ashford.gov.uk – Tel: (01233) 330803

Report Title: Short Stay Accommodation

Introduction and Background

1. The Council has an immediate duty to accommodate households who they have reason to believe are homeless and in priority need. Unfortunately, this often means that the only accommodation available is expensive bed and breakfast placements (B&B).
2. Legally the Council is obliged to restrict the length of stay in B&B for families to a maximum of 6 weeks, which adds pressure due to the limited availability of suitable housing stock.
3. The Council's existing short stay accommodation, Christchurch House, provides 8 units of accommodation and has proved to be an efficient way of meeting the Council's duty to provide interim temporary accommodation. Had it not been for this project the Council's bed and breakfast costs would be much higher. On average Christchurch House saves the Council approximately £100,000 in B&B costs per annum. Apart from the obvious efficiencies of the Council investing in its own short-term accommodation provision. This type of facility also provides a better quality of accommodation than in commercial B&B.
4. Currently numbers in B&B remain high due to an insufficient supply of accommodation compared to demands from homelessness and the housing register.
5. In view of the above pressures in providing accommodation for homeless households, both families and single people, the Council has agreed to the purchase of another property at 112 Beaver Road, Ashford. This property is suitable for conversion into an additional short stay accommodation facility for families.

Proposal/Current Position

6. A property has been identified at 112 Beaver Road, which is the vicarage attached to Christ Church. Approval was sought and agreed at ERIB for the purchase of the Vicarage, and an offer of £446,000 was made and accepted. Currently the legal processes in connection with the purchase are proceeding and completion is expected in the near future.
7. Conversion work is required to enable this property to be utilised for short stay accommodation for homeless families at an expected cost of up to £500,000.
8. This project is about achieving better control of costs for the council in an area of statutory work that continues to show increasing demand. The project should be seen as an 'invest to save' project and it is anticipated that the

operating and financing costs will be covered by rental income and service charge.

9. An outline of the proposed works is provided at Appendix 1. These works are expected to take approximately 16 weeks to complete. The Council has submitted a planning application for consent to complete the conversion.
10. In view of the urgent need for this type of accommodation, preliminary work has commenced ahead of the completion of the purchase to draw up the specification and investigations are being undertaken into working with an existing procurement framework at risk so that the Council can be ready to award the contract and commence work as soon after completion as possible.
11. This report seeks members agreement to the allocation of a capital budget to cover the costs of the conversion work.

Implications and Risk Assessment

12. The conversion works cannot commence until the purchase has completed, this has been delayed while the seller establishes title for the purchase of 112 Beaver Road.
13. A planning application has already been submitted in anticipation of completion and the relevant preparatory work is being undertaken to prepare the specification for the work to enable the Council to tender the works. However the Council will not be able to enter into a contract for this work until completion has been achieved.
14. Members are asked to agree that a capital budget of £500,000 be allocated for the costs of the conversion works.
15. An operational budget has been drawn up based on the costs of operating Christchurch House which provides a similar number of units. A copy of the operational budget is at Appendix 2. It can be seen from the Operational budget shown at Appendix 2 that the projected income covers operational costs including debt repayment and that the debt will be repaid within 25 years.

Equalities Impact Assessment

16. Not required

Consultation Planned or Undertaken

17. Consultation has taken place with the ward member. A further consultation event is planned to take place with local residents after the purchase of 112 Beaver Road has completed.

Other Options Considered

18. Since the successful project at Christchurch House, Christchurch Road officers have been trying to identify another suitable property to convert for this purpose, however despite an extensive search this is the only property currently identified as suitable for this project.

Reasons for Supporting Option Recommended

19. Tackling homelessness is one of the key priorities of the Housing Framework and the Homelessness Strategy, as well as a statutory duty for the authority. The provision of another short stay facility was endorsed as a corporate priority and was identified as a priority in the Homelessness Strategy approved by members on 13 October 2016. This project is one of a number of key action points designed to address and manage homelessness within Ashford and was identified by Members of the Cabinet as a high priority to achieve as swiftly as possible.
20. The need for such a provision is even more evident given the likely impacts of the Homelessness Reduction Act, which will increase the level of duties upon the local authority and comes into force on 01 April 2018.
21. Provision of better quality, more closely managed, temporary accommodation will assist in achieving more settled outcomes for households by identifying health and care needs, and addressing these, at an early stage.

Next Steps in Process

22. Once the purchase of 112, Beaver Road has completed the Council will invite tenders for completion of the works, using an existing procurement framework.

Conclusion

23. The conversion works at 112 Beaver Road to create a short stay accommodation facility for homeless families require a capital budget allocation of up to £500,000.
24. This project will assist the council to control expenditure on bed and breakfast accommodation and provide a good standard of accommodation for homeless households.

Portfolio Holder's Views

25. This is an important project which will not only improve the quality of short stay accommodation for homeless families, but will also create significant savings compared to the costs of using B&B accommodation. I fully support the recommendation to allocate a capital budget to support the conversion works at 112, Beaver Road.

Contact and Email

26. Sharon Williams Head of Housing – Sharon.williams@ashford.gov.uk

Appendix 1 – Breakdown of works required.

Context

The property is a substantial Victorian house build with three floors and a basement. It's construction is traditional masonry construction and because of it's age solid wall and purlin roof structure. The building has had minimal maintenance and since intended disposal has suffered from leaks.

The large living rooms and bedrooms present an opportunity to split the property into 8 rooms for short stay accommodation and associated washing facilities, communal kitchen and laundry.

The rear garden requires minimal work to provide a private area for residents. Externally the visual appearance of the accommodation remains unchanged.

Proposed works

General

- Remedial works to correct damp and water ingress
- Removal of any deleterious materials
- Other repairs identified in survey, replacement of windows.

Accommodation

- Sub division of housing into the 8 compartments with wash facilities.
- Compartmentation of the building to comply with building Act:
 - Fire spread which will include a sprinkler system
 - Noise reduction between accommodation
- Insulation of the building fabric to increase thermal resistance, this is in conjunction with replacement windows and new efficient heating system.
- Installation of the new building services
 - New gas fired space heating system, zoned to correspond with accommodation.
 - New electrical wiring to whole property to accommodate the greater demand.
 - New bath, toilet and shower facilities whether common or ensuite.

Communal

- Communal facilities on the ground floor which include:
 - Kitchen with multiple sinks and cookers
 - Large dining area
 - Sufficient storage of ingredients and equipment for food preparation
- Garden refurbishment

Appendix 2 – Operational budget

Appendix 3 – Procurement programme

Appendix 4 – Elevations

	Outlay	Number	Capital costs
Purchase Price	446,000	1	£445,000
Stamp duty	12,250	1	£12,250
Fit out	500,000	1	£500,000
Other	100,000		
	-		
	-		
	-		
	-		
Capital Cost	1,058,250	3	

Asset Life (years)	25	
Interest Rate	2.50%	Based on 25 year swap plus 1%
Inflation assumption	2.00%	
Discount Rate applied	4.50%	

Notes	1	2	3	4	5	6	7	8	9	10	11
Outgoings for ABC											
Staff costs Christchurch1 costs are currently 30,500, hours will be recoverable from tenants	33,088	33,750	34,425	35,114	35,816	36,532	37,263	38,008	38,768	39,543	40,334
Concierge costs (based on christchurch1)	2,000	2,040	2,081	2,123	2,165	2,208	2,252	2,297	2,343	2,390	2,438
Maintenance costs Based on Christchurch1	4,000	4,080	4,162	4,245	4,330	4,417	4,505	4,595	4,687	4,781	4,877
Health & Safety Based on Christchurch1	200	204	208	212	216	220	224	228	233	238	243
Operational equipment Based on Christchurch1	3,000	3,060	3,121	3,183	3,247	3,312	3,378	3,446	3,515	3,585	3,657
Telephones Based on Christchurch1	800	816	832	849	866	883	901	919	937	956	975
TV Licence Based on Christchurch1	150	153	156	159	162	165	168	171	174	177	181
Council Tax	1,390	1,418	1,446	1,475	1,505	1,535	1,566	1,597	1,629	1,662	1,695
Gas Based on Christchurch1	900	918	936	955	974	993	1,013	1,033	1,054	1,075	1,097
Electricity Based on Christchurch1	4,000	4,080	4,162	4,245	4,330	4,417	4,505	4,595	4,687	4,781	4,877
Water & Sewerage Based on Christchurch1	1,800	1,836	1,873	1,910	1,948	1,987	2,027	2,068	2,109	2,151	2,194
Cleaning materials Based on Christchurch1	400	408	416	424	432	441	450	459	468	477	487
Window Cleaning Based on Christchurch1	140	143	146	149	152	155	158	161	164	167	170
Insurance Based on Christchurch1	600	612	624	636	649	662	675	689	703	717	731
Laundry Based on Christchurch1	3,000	3,060	3,121	3,183	3,247	3,312	3,378	3,446	3,515	3,585	3,657
		0	0	0	0	0	0	0	0	0	0
Sub total	55,468	56,578	57,709	58,862	60,039	61,239	62,463	63,712	64,986	66,285	67,613
Income for ABC											
Income from Housing Benefit 8 units, 52 weeks a year, £156.69 per week	(65,183)	(66,487)	(67,817)	(69,173)	(70,556)	(71,967)	(73,406)	(74,874)	(76,371)	(77,898)	(79,456)
Income from personal charges 8 units, 52 weeks a year, £10 per week	(4,160)	(4,243)	(4,328)	(4,415)	(4,503)	(4,593)	(4,685)	(4,779)	(4,875)	(4,973)	(5,072)
Recover of concierge costs Recoverable from tenants (based on christchurch)	(2,000)	(2,040)	(2,081)	(2,123)	(2,165)	(2,208)	(2,252)	(2,297)	(2,343)	(2,390)	(2,438)
Voids 2% voids (30 void occurrences at 1.5 days each)	1,304	1,330	1,357	1,384	1,412	1,440	1,469	1,498	1,528	1,559	1,590

Savings from B&B costs	8 units, 52 weeks a year, £268.12 per week (reduced by 10% based on voids) less income from housing benefits based on the same	(41,719)	(42,554)	(43,405)	(44,273)	(45,158)	(46,061)	(46,982)	(47,922)	(48,880)	(49,858)	(50,855)
Sub total			0	0	0	0	0	0	0	0	0	0
Total Revenue Costs		(111,759)	(113,994)	(116,274)	(118,600)	(120,970)	(123,389)	(125,856)	(128,374)	(130,941)	(133,560)	(136,231)
Financing Costs												
Interest and capital - annuity		57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437
Grand Total		1,146	21	(1,128)	(2,301)	(3,494)	(4,713)	(5,956)	(7,225)	(8,518)	(9,838)	(11,181)
NPV	4.50%	958,813	(52,578)	(51,320)	(50,094)	(48,894)	(47,725)	(46,583)	(45,469)	(44,381)	(43,320)	(42,282)
	(9,781)											
IRR	4.59%											
Yield	-10.6											
Net Yield	-5.32											
Debt												
Opening Balance		1,058,250	1,027,269	995,514	962,965	929,602	895,405	860,353	824,425	787,599	749,852	711,161
Interest		26,456	25,682	24,888	24,074	23,240	22,385	21,509	20,611	19,690	18,746	17,779
Repayment		(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)
Closing Balance		1,027,269	995,514	962,965	929,602	895,405	860,353	824,425	787,599	749,852	711,161	671,503
		1,001,959.23	(57,416)	(58,565)	(59,738)	(60,931)	(62,150)	(63,393)	(64,662)	(65,955)	(67,275)	(68,618)
Property Residual Value		1079415	1101003.3	1123023.37	1145483.83	1168393.51	1191761.38	1215596.61	1239908.54	1264706.71	1290000.84	1315800.86

12	13	14	15	16	17	18	19	20	21	22	23	24	25
41,141	41,964	42,803	43,659	44,532	45,423	46,331	47,258	48,203	49,167	50,150	51,153	52,176	53,220
2,487	2,537	2,588	2,640	2,693	2,747	2,802	2,858	2,915	2,973	3,032	3,093	3,155	3,218
4,975	5,075	5,177	5,281	5,387	5,495	5,605	5,717	5,831	5,948	6,067	6,188	6,312	6,438
248	253	258	263	268	273	278	284	290	296	302	308	314	320
3,730	3,805	3,881	3,959	4,038	4,119	4,201	4,285	4,371	4,458	4,547	4,638	4,731	4,826
995	1,015	1,035	1,056	1,077	1,099	1,121	1,143	1,166	1,189	1,213	1,237	1,262	1,287
185	189	193	197	201	205	209	213	217	221	225	230	235	240
1,729	1,764	1,799	1,835	1,872	1,909	1,947	1,986	2,026	2,067	2,108	2,150	2,193	2,237
1,119	1,141	1,164	1,187	1,211	1,235	1,260	1,285	1,311	1,337	1,364	1,391	1,419	1,447
4,975	5,075	5,177	5,281	5,387	5,495	5,605	5,717	5,831	5,948	6,067	6,188	6,312	6,438
2,238	2,283	2,329	2,376	2,424	2,472	2,521	2,571	2,622	2,674	2,727	2,782	2,838	2,895
497	507	517	527	538	549	560	571	582	594	606	618	630	643
173	176	180	184	188	192	196	200	204	208	212	216	220	224
746	761	776	792	808	824	840	857	874	891	909	927	946	965
3,730	3,805	3,881	3,959	4,038	4,119	4,201	4,285	4,371	4,458	4,547	4,638	4,731	4,826
0	0	0	0	0	0	0	0	0	0	0	0	0	0
68,968	70,350	71,758	73,196	74,662	76,156	77,677	79,230	80,814	82,429	84,076	85,757	87,474	89,224
(81,045)	(82,666)	(84,319)	(86,005)	(87,725)	(89,480)	(91,270)	(93,095)	(94,957)	(96,856)	(98,793)	(100,769)	(102,784)	(104,840)
(5,173)	(5,276)	(5,382)	(5,490)	(5,600)	(5,712)	(5,826)	(5,943)	(6,062)	(6,183)	(6,307)	(6,433)	(6,562)	(6,693)
(2,487)	(2,537)	(2,588)	(2,640)	(2,693)	(2,747)	(2,802)	(2,858)	(2,915)	(2,973)	(3,032)	(3,093)	(3,155)	(3,218)
1,622	1,654	1,687	1,721	1,755	1,790	1,826	1,863	1,900	1,938	1,977	2,017	2,057	2,098

(51,872)	(52,909)	(53,967)	(55,046)	(56,147)	(57,270)	(58,415)	(59,583)	(60,775)	(61,991)	(63,231)	(64,496)	(65,786)	(67,102)
0	0	0	0	0	0	0	0	0	0	0	0	0	0
(138,955)	(141,734)	(144,569)	(147,460)	(150,410)	(153,419)	(156,487)	(159,616)	(162,809)	(166,065)	(169,386)	(172,774)	(176,230)	(179,755)
(69,987)	(71,384)	(72,811)	(74,264)	(75,748)	(77,263)	(78,810)	(80,386)	(81,995)	(83,636)	(85,310)	(87,017)	(88,756)	(90,531)
57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437	57,437
(12,550)	(13,947)	(15,374)	(16,827)	(18,311)	(19,826)	(21,373)	(22,949)	(24,558)	(26,199)	(27,873)	(29,580)	(31,319)	(33,094)
(41,269)	(40,280)	(39,316)	(38,374)	(37,455)	(36,559)	(35,685)	(34,831)	(33,999)	(33,186)	(32,392)	(31,618)	(30,861)	(30,122)
671,503	630,853	589,188	546,480	502,705	457,836	411,845	364,704	316,385	266,857	216,092	164,057	110,722	56,053
16,788	15,771	14,730	13,662	12,568	11,446	10,296	9,118	7,910	6,671	5,402	4,101	2,768	1,401
(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)	(57,437)
630,853	589,188	546,480	502,705	457,836	411,845	364,704	316,385	266,857	216,092	164,057	110,722	56,053	17
(69,987)	(71,384)	(72,811)	(74,264)	(75,748)	(77,263)	(78,810)	(80,386)	(81,995)	(83,636)	(85,310)	(87,017)	(88,756)	(90,531)
1342116.88	1368959.22	1396338.4	1424265.17	1452750.47	1481805.48	1511441.59	1541670.42	1572503.83	1603953.91	1636032.99	1668753.65	1702128.72	1736171.29

