

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

25 January 2022

Report of the Director of Planning, Housing and Environmental Health

Part 1- Public

FOR INFORMATION

1 PEMBURY ROAD TEMPORARY ACCOMMODATION PROJECT UPDATE

A report updating Members on the status of the project and advising of alternative options that are presently being progressed.

1.1 Background

- 1.1.1 A report to Members laying out options for progressing the TA project at Pembury Road was presented to FIPAB on 15 September 2021 and subsequently approved at Council on 26 October 2021. Members approved the continuation of the scheme to deliver 12 self-contained TA units.
- 1.1.2 This report laid out the potential risks with each option. For the continuation of the self-contained conversion scheme, the key risk was considered to be the potential for further cost increases, that would make the conversion via a main contractor unaffordable.

1.2 Current position

- 1.2.1 Since reporting to Members, officers have continued to work with Kier on confirming the cost plan for the scheme. Kier have reported to officers that having run their costing exercise with their subcontractors, costs are now at c.£400k over previous estimates, with no guarantees that this cost profile could be maintained due to unpredictable prices across the construction industry.
- 1.2.2 Officers' assessment of this latest cost information is that the Value for Money position presented to Members cannot continue to be supported at this potential level of spend.
- 1.2.3 In addition to this, a piece of consultancy work is currently being concluded, examining all aspects of the Council's approach to the provision of Temporary Accommodation. The details recommendations and proposed actions as a result of this piece of work will be reported in detail to Members via CHAB in February. However, as part of the review, the consultants have offered advice on TMBC's approach to procuring TA, including the suggestion the consideration of ownership and use of HMO accommodation as part of managing our TA requirements.

- 1.2.4 The Leader, Deputy Leader and Cabinet Member have been briefed on the position with the costs of the contractor led conversion option and the TA consultancy recommendations. The next steps below have also been discussed with those Members.

1.3 Options analysis

- 1.3.1 The paragraphs below explore the potential options for taking the project forward, given the financial position of the currently approved delivery approach.
- 1.3.2 Self-contained conversion – there is an option to consider alternative routes to delivery of the existing proposals, including different procurement options. This is likely to reduce the overheads element of the costs, although the added risks would be that a smaller contractor may have a less resilient supply chain and material costs may still rise, as well as the fact that this is likely to require more intensive officer oversight. This option will require a further full-tender process. It would however still provide larger units that could house families requiring TA at a much-reduced cost from nightly paid provision, albeit with some delays on existing programme.
- 1.3.3 HMO conversion – the works required to create a HMO property will be significantly less than a self-contained conversion. The most significant costs will be complying with fire safety requirements and furnishing. A HMO for up to 6 residents can be delivered without planning permission. The properties have capacity for more than this, however they could be used as a 6 person HMO alongside a planning application being made to expand that use. HMO accommodation will have a management and maintenance requirement that is not currently budgeted for or provided for within the TMBC staffing structure, as this is projected to be higher than with a fully self-contained conversion approach. Officers are exploring with existing housing providers what arrangements can be put in place through a management contract, given that these organisations already manage their own properties to the required standard. Although there are some preparatory actions to be undertaken, it is envisaged that this approach could result in units being available to occupy early in the new financial year. It should be noted that during the COVID pandemic, guidance from central government was to minimise the use of shared facility accommodation, due to the obvious increased risks of infection. However, given the changes in guidance around isolation and testing in recent months, this is potentially less of an issue for this type of accommodation in the future. Moreover, given the financial benefits of using this type of accommodation, even if further measures were required in the future, partial use of this type of accommodation would still be feasible. In terms of HMO use, the cost benefit analysis rests on the number of separate bedrooms that are in use, not the number of occupants. So for example using 4 separate rooms for 4 singles is financially more cost effective than using 3 rooms for couples. Therefore it is important that the operating model is to utilise all 4 bedrooms whenever possible to ensure the maximum financial benefits are realised. There may be exceptions to this should there be a need to use 3 rooms

for couples, although this would be a secondary option. The initial approach would be to seek to move 4 households into each property, up to a maximum of 6 people, from other TA currently in use at nightly paid rates to see an immediate reduction in cost.

- 1.3.4 Sale – a revised valuation of the 4 properties was undertaken during the last reporting cycle. This value now sits at £1.993million, an increase of £83,000 on purchase price and £76,000 on the current balance sheet value and therefore has the potential to see a gross return on investment to the Council. (Members are aware that the Council has been liable for council tax payments for the four properties during the period of ownership). This option would result in further significant delays in bringing any additional TA provision on stream, as any funds released from the sale would need to be available before any other properties could be purchased.

1.4 Next steps

- 1.4.1 All of the options proposed carry some risks. It is therefore considered prudent to pursue a hybrid option. As such, officers are currently pursuing the following approach;
 - Convert 2 of the properties into HMO accommodation for 6 residents as soon as possible.
 - Procure a management contract for the HMO units.
 - Progress a tender exercise to deliver works to 2 of the properties to create self-contained units as per the existing planning approval.
 - Submit a revised planning application to increase the number of potential residents in the 2 HMO units and retain the self-contained conversion approach for 2 of the properties. Progressing this alongside works to the units for HMO accommodation will minimise the time during which occupancy is limited to 6 people.

1.5 Legal Implications

- 1.5.1 The previous approved recommendation was as follows;

It is AGREED that Members approve option 1, the continuation of the project to deliver 12 temporary accommodation units at the Pembury Road site, including the increased budget requirement for the Council of up to £200,000, noting that due to current supply and cost issues in the construction industry may result in this figure increasing from the currently required £171,000 and agreeing that any such increases would be agreed with the Cabinet Members for Finance, Innovation & Property and Housing by the Director of Central Services and the Director of Planning, Housing & Environmental Health before contracts are

signed. The increased budget requirement will be funded from the reserve for capital schemes.

On this basis, given that the current proposed way forward will not incur any costs in addition to the agreed budget, and is likely to represent a saving, as well as the fact that the project as proposed will still provide a minimum of 12 temporary accommodation units (6x self-contained units and initially up to 8x HMO units), it is not considered that an additional formal Member decision is required whilst officers are investigating the potential to deliver that option but a full report (including VFM statement) will be prepared in due course.

- 1.5.2 As the proposed approach maintains the use of the properties for affordable housing delivery, the s106 commuted sum contributions to the project can remain in use.
- 1.5.3 In all instances, the Council is required to consider the suitability of the temporary accommodation utilised. The size of the accommodation is a key factor in this and a full suitability assessment is carried out for each TA household.

1.6 Financial and Value for Money Considerations

- 1.6.1 As outlined previously to Members, owned and managed TA is significantly more cost effective for the Council in whatever format, due to the fact that the Council is able to claim the Housing Benefit subsidy rate for the units without paying out additional rental costs to private providers (although retaining the requirement to fund management and maintenance). HMO type accommodation is the most cost effective approach for housing single households and an increased use of this type of accommodation within the Council's own portfolio would be the most cost effective way of housing temporary accommodation households.
- 1.6.2 Members should note that the maximum financial benefit in terms of HMO will come from using 4 rooms as bedrooms in each property. As mentioned earlier in the report, without planning permission the number of occupants would need to be restricted to 6; however, this allows for two "double" occupancies and two "singles" in each property. To be clear, using less than 4 rooms will produce a lower financial return and should therefore be minimised
- 1.6.3 HMO provision will require management and maintenance, which will be a revenue cost to the Council.

1.7 Risk Assessment

- 1.7.1 The options analysis section at 1.3 of this report highlights key risks for each option under consideration.

1.8 Equality Impact Assessment

- 1.8.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.9 Policy Considerations

- 1.9.1 Business Continuity/Resilience
1.9.2 Asset Management
1.9.3 Procurement

Background papers:

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Nil

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