

**BABERGH DISTRICT COUNCIL**

**FROM:** The Housing Panel

**REPORT NUMBER**    **F181**

**TO:**     STRATEGY COMMITTEE

**DATE OF MEETING:** 8 February 2007

**THE REDEVELOPMENT OF STOUR HOUSE**

1.    **SUMMARY**

This report details the results of the assessment of the advantages and disadvantages of each of the three short-listed options for the future of Stour House, as agreed by Committee on 16 November 2006 (Paper F118). It then explains why the Housing Panel is recommending that the option to transfer Stour House to a Registered Social Landlord is selected.

2.    **RECOMMENDATIONS TO THE COUNCIL**

2.1   That approval be given to the transfer of Stour House to a Registered Social Landlord (RSL) partner at a discount of up to 100% for the delivery of affordable housing for the homeless subject to:-

- The RSL to develop and make available in perpetuity a range of self-contained units of accommodation for general homeless use and also a supported housing scheme for homeless single people with multiple needs in accordance with the Council's Homelessness Strategy.
- Babergh to enter into an agreement to have full nomination rights for homeless households to all the vacant units of accommodation.
- Appropriate terms and conditions to protect the interests of the Council to be agreed by the Head of Contract and Asset Management.

2.2   That the Head of Community Development in consultation with the Housing Panel be authorised to:-

- Undertake the selection of the successful RSL in line with existing procedures, as previously agreed by the Strategy Committee.
- Agree the timetable for the project implementation and monitor its progress.

3.    **KEY INFORMATION**

3.1   The Strategy Committee on 16 November 2006 approved the three shortlisted options set out below, and authorised the Housing Panel to make the final recommendation for Strategy Committee/Council approval, as appropriate:-

- Option 1: To retain ownership of Stour House and convert it into self-contained flats.

- Option 2: To transfer Stour House to a Housing Association, which would fund the conversion works and use part of the building to develop a supported housing scheme for single people with "multiple" needs.
- Option 3: To sell Stour House on the open market and use the proceeds to develop more social housing elsewhere.

3.2 The Housing Panel has considered the advantages, disadvantages and risks associated with the delivery of these options and recommends that Option 2 is selected.

3.3 A summary of the reasons why the Housing Panel is discounting Options 1 and 3 is provided below. The longer version of the advantages/disadvantages and the formal risk identification for the two discounted options are included as appendices to this report.

3.4 **Option 1: To retain ownership of Stour House and convert it into self-contained flats.**

The Panel considered that this option should be discounted because of the high costs involved and the impact this would have on other Housing Revenue Account priorities.

The fabric of the building and the limitations imposed by virtue of its listing under planning law make such conversions expensive for the Council to fund entirely on its own. A commitment for the Council to fund the work itself would delay other agreed council house work programmes or improvement schemes.

The Panel acknowledged that this option would allow the Council to control all the major decisions; the design, build and project management and it has a strong and successful record of managing large and complex projects. However, it also removes the opportunity to attract other funding sources.

The Panel has concluded therefore that whilst this option would deliver the Council's strategic aims of eradicating the use of shared hostel accommodation for the homeless, it would not offer the Council value for money.

3.5 **Option 3: Selling Stour House on the open market and using the proceeds to purchase social housing elsewhere.**

In considering this option, the Panel looked at two possible solutions. Firstly, the sale of the whole of Stour House. Secondly, the retention of the old wing of Stour House (the part initially acquired by the Council before the new wing was developed in 1998) for use as a supported housing scheme and the sale of the new wing.

The Panel considered that both these options should be discounted because there are clear risks associated with attempting to sell a large building with limited development capacity and also no evidence that other suitable, alternative sites in areas of greatest need would be any cheaper. The Panel concluded that the option of selling part of the building whilst retaining a social housing development on the adjoining site would present additional challenges and costs to the Council and would at best reduce the level of proceeds.

The Panel acknowledged that a quick sale at its full market value would provide the Council with an opportunity to maximise its development opportunity. However, the requirement to identify and then purchase alternative housing, which is likely to require planning permission could create a level of service and financial risk that cannot easily be reduced. For these reasons the Panel are recommending that this option be discounted.

#### 4. **THE RECOMMENDED OPTION**

4.1 **Option 2. To transfer Stour House to a Housing Association which would fund the conversion work and use part of the building to develop a supported housing scheme for single people with "multiple" needs.**

4.2 This would involve the conversion of Stour House from a 25 room managed Homelessness Centre into 9 self contained units as accommodation consisting of 8 two-bedroom flats, 1 one-bedroom flat and a four- bedroom house. Furthermore, the old wing of Stour House would be developed to provide a supported housing scheme for single people with "multiple" needs and consisting of 4 bedsit flats and 1 one-bedroom flat. The new scheme therefore would provide 14 units in total.

4.3 The Housing Panel is recommending that this option be selected for the following reasons:-

- The Panel strongly believe that this option would provide the Council with an outcome that meets its agreed criteria whilst being achievable within a reasonable timeframe and which maximises funding opportunities from other sources.
- This option provides the least direct cost to the Council as the successful RSL would carry out and pay for the improvement works with the assistance of grant from the Housing Corporation and would also manage the associated risks.
- This option also provides the best opportunity to develop a supported scheme for single people with multiple needs within the old wing of Stour House. This need was identified as part of the Council's Homelessness Strategy and is included in the Council's 5- year Housing Strategy.

4.4 Whilst Members will be aware that there would be a notional loss to the Council in terms of the capital receipt, the continuity of service albeit one that is significantly better coupled with the added value of a new supported housing scheme, has led the Panel to conclude this to be the most favourable option for the Council.

#### 4. **FINANCIAL IMPLICATIONS**

4.1 Whilst the Council would not bear the direct costs of the conversion works, (which have been estimated to be in the region of £800,000 plus fees), the financial viability of the project may require the building and land to be transferred at up to nil cost. This means the Council would not benefit from any capital receipt.

#### 5. **RISK MANAGEMENT**

6.1 The following risk matrix highlights the threats and opportunities and also the mitigation measures that are necessary to successfully deliver Option 2.

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
Stour House is transferred to a RSL, which then fails to get the necessary government grants to complete the work and either requests additional financial contributions from the Council or the project is delayed until funds are secured	Significant	Critical	Ensure the case for govt. funding is robustly made and that the RSL selected has adequate reserves to complete the project if it fails to receive adequate government grants.
Stour House is transferred to a RSL who runs into financial difficulties and cannot complete the project.	Very low	Critical	Ensure that a financially secure RSL is selected.
Delays in completing the project could mean Babergh fails to meet its homelessness obligations, exposing it to legal challenge and increasing the use of Bed and Breakfast.	Significant	Critical	Ensure that the agreement with the RSL specifies a realistic timescale within which the project should be completed and has penalties for unreasonable delay.

6. **APPENDICES**

APPENDIX A The longer version of the advantages/disadvantages of each of the options as discussed by the Housing Panel.

APPENDIX B The risk matrix for the 2 discounted options

7. **BACKGROUND PAPERS REFERRED TO:**

None.

**The Housing Panel**

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## Appendix A

### **The advantages and disadvantages of each of the options for Stour House as discussed by the Housing Panel.**

#### **Option 1: We keep Stour House and carry out the conversion works ourselves.**

This option involves the conversion of Stour House from a 25 room managed Homelessness Centre into 12 two- bedroom self-contained flats and an adjoining house each with their own entrances. This option is based upon what we can achieve within the current building and maximises the opportunity provided by the wasted communal space and shared facilities.

#### **The pros of this option are:**

- We fulfil our strategic aims of ending the use of shared hostel accommodation for the homeless.
- We control the improvement programme from beginning to end.
- We retain a valuable asset.

#### **The cons of this option are:**

- We will have to delay other council house work programmes or improvement schemes to find the £529,000 it is going to cost us to do the work.
- The high unit cost of each conversion, £41,000, for a two bedroom flat.
- Stour House is an old listed building, making it difficult to accurately estimate the cost of conversion. The conversion costs may run over budget.
- The cost of conversion has a dramatic and unacceptable impact on our ability to ensure all council homes meet the Decent Homes Standard and the more challenging Babergh Standard.
- This option prevents us from tapping into any other funding sources.

#### **Option 2: We transfer Stour House to a Housing Association and they fund the work and possibly use part of the building to develop a supported housing scheme for single people with "multiple" needs.**

This option is again based on the existing building and the plans drawn up by our Architect. However whilst the first option would be managed and funded by the Council, this model assumes that a Housing Association will commission and fund the works and manage all the associated risks.

This second option would also involve a separate feasibility exercise in which the successful RSL will be invited to commission a separate supported housing scheme for single people with "multiple" needs. This is a commitment already approved by Committee within our Homelessness Strategy. The Panel is aware that we have already looked at the possibility of using the old wing of Stour House for this scheme. The good news is that *Supporting People* have agreed to provide the revenue funding.

### **The pros of this option are:**

- We again fulfil our strategic aims of ending the use of shared hostel accommodation for the homeless
- The building is fully converted and we don't have to find the money.
- Our capital programme and which members have agreed is unaffected.
- We get full nomination rights in perpetuity and the property is still preserved for social housing for the homeless.
- The Housing Panel are able to select the preferred partner.
- We can ensure that this option includes the development and management of a supported housing for single people with "multiple" needs within the building.
- Any planning opposition, particularly for the supported housing scheme, are likely to be deflected since this client group are and have been placed in Stour House for the last 18 years without too many problems.
- It provides future scope for a range of associated contracted services to the successful RSL to the homeless, for instance the development of a private leasing scheme, extension of the tenancy deposit initiative, mediation services, etc.

### **The cons of this option are:**

- It is probable that we will have to give Stour House to the Housing Association so that they can attract government grant, at a big discount so we'll get little or no cash out of the deal.
- The commencement of the project may be dependent on grant, which would mean using Stour House for longer than we intended.
- Long delays in completing the project could expose the homelessness service to legal challenge and additional cost.
- Stour House is an old listed building, making it difficult to accurately estimate the cost of conversion. The conversion costs may run over budget.

### **Option 3: We sell Stour House on the open market and use the proceeds to develop more social housing elsewhere.**

This option is about realising a capital gain which the Council could then reinvest in developing or acquiring suitable housing to meet the needs of the homeless and which would have the additional benefit of saving expensive conversion works.

### **The pros of this option are:**

- We again fulfil our strategic aims of ending the use of shared hostel accommodation for the homeless
- We get a considerable capital receipt from the sale, up to £1.75m, if Stour House is sold at full market value.
- The commitment already provided by the Panel should this option be supported of informing adjoining landowners of our intentions to sell could increase our capital receipts.
- We are able to use 100% of the proceeds on social housing or regeneration projects however, members could elect to commit 25% for other Council priorities.

- We could target the purchase of new housing for the homeless within the District rather than to have a large concentration in Sudbury.

**The cons of this option are:**

- Even if it was agreed to use all the money from the sale for new affordable housing it is questionable whether will we be able to find another suitable site to replace the housing units lost at Stour House.
- Land and property prices are high within all the area of greatest need within the District. We are unlikely to find cheap land or property, which meets our needs.
- We cannot be certain how long it would take to sell and whether we would achieve the full asking price.
- If we cannot commit the money, we have to hand it back to government
- If Stour House is left empty it could cause us problems with vandalism and gaps in homeless provision.
- If we were still committed to developing our supported housing scheme, there may be public opposition to any alternative sites found, as residents are likely to be disruptive, leading to the scheme being abandoned

## Appendix B

### Risk Assessment on the two discounted options for the redevelopment of Stour House

#### Option 1- Retain ownership of Stour House and convert it into self-contained flats.

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
Stour House is an old listed building, making it difficult to accurately estimate the cost of conversion. The conversion costs may run over budget.	Significant	Critical	Employ a Q.S and ensure that cost estimates are accurate and realistic. Ensure that there are sufficient contingency funds available to cover unexpected expenses, problems or over-runs.
Suitably qualified contractors may not be available to carry out the work within the desired timeframe.	Low	Critical	Good knowledge of local contractors availability and suitability in place
The cost of conversion of Stour House has a dramatic and unacceptable impact on the Council ability to ensure all council homes meet the Decent Homes Standard, the more challenging Babergh Standard and our improvement and regeneration programmes.	Significant	Critical	Endeavour to minimise impact on HRA by carefully prioritising work programmes; extending improvement and maintenance programmes and delaying lower priority works as necessary.
Delays in completing the project could mean Babergh fails to meet its Homelessness obligations, exposing it to legal challenge and increasing the use of Bed and Breakfast	Significant	Critical	Ensure that the contract specification includes the timescale within which the project should be completed. Could include penalties for non-performance.
<b>Option 3 – Sell Stour House on the open market and use the proceeds to develop more social housing elsewhere</b>			
It may not be possible to find a suitable alternative housing site in Sudbury that is big enough to replace the	Very high	Catastrophic	Appoint consultants to search for suitable sites.

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
units lost at Stour House in an area where such a scheme would gain the necessary planning consents			
There may be public opposition to any alternative sites found, as residents are likely to be disruptive, leading to the scheme being abandoned	Very high	Critical	Undertake extensive and effective consultation with local residents living next to potential sites
A suitable site is found but is unaffordable.	Very high	Marginal	Get early resolution from the Council that 100% of proceeds of the sale of Stour House is used for replacement housing and a commitment to provide additional funds from the General Fund.
The sale of Stour House proves is difficult to achieve and it is left empty causing the Council problems with vandalism and gaps in homeless provision.	Significant	Critical	Use a specialist Estate Agent who is used to dealing with these types of properties. Ensure the empty property is secure and employ security guards to protect it.
There is likely to be a long delay between selling Stour House and having the replacement units ready as a replacement site cannot be purchased until Stour House is sold. We would then fail to meet our homeless obligations exposing the Council to legal challenge and increasing the use of Bed and Breakfast.	Very High	Critical	Ensure that potential contractors provide accurate and realistic estimates. Ensure that there are sufficient contingency funds available to cover unexpected expenses, problems or over-runs.