



## London Borough of Enfield

<b>Report Title</b>	Refurbishment of John Wilkes House for use as a rapid assessment and resettlement hub for homeless single males
<b>Report to</b>	Cabinet Member for Housing in consultation with the Cabinet Member for Finance and Procurement
<b>Date of Report</b>	19 <sup>th</sup> June 2024
<b>Executive Director / Director</b>	Joanne Drew, Strategic Director of Housing and Regeneration
<b>Report Author</b>	Hannah Ashley Fraser, Service Director – Homes
<b>Ward(s) affected</b>	Ponders End
<b>Key Decision Number</b>	5747
<b>Implementation date, if not called in</b>	
<b>Classification</b>	Part I

## Purpose of Report

1. To obtain approval for expenditure to undertake the refurbishment of John Wilkes House to convert it for use as a hub for homeless single males. This is in line with the Accommodation Strategy agreed by Cabinet.

## Recommendations

- I. Approve expenditure of up to £650k from the General Fund for the refurbishment works to convert John Wilkes House into a building which is fit for occupation for temporary accommodation use.
- II. Approve moving £573k from the pipeline capital programme to the main capital programme to invest in temporary accommodation solutions, following delegated approval within the 10-year capital programme Cabinet report (KD5502).
- III. Note that the refurbishment will be delivered in-house through Enfield Repairs Direct and specialist contractors.
- IV. Bid for and accept if awarded GLA grant funding for up to 30% of the refurb costs.

## Background and Options

2. John Wilkes House is the former Homeless assessment office which has been vacant since 2019 and most recently used as a Covid testing centre up and until 2022. The report sets out a proposal to finance the conversion of John Wilkes House into temporary accommodation owned by the council. The aim of the project is to convert the existing office building to provide facilities for homeless single men primarily to whom we have a statutory duty towards and therefore reducing the reliance on costly emergency hotel accommodation. The scope of works is to convert the building into a rapid assessment and resettlement hub with two shared kitchens, shower rooms, 36 pod rooms and two offices spaces for the management of the hub.
3. The proposal is in line with the Cabinet decision (KD 5640) approved in September 2023 on Accommodation which set out a framework for housing solutions to meet the statutory homelessness needs and reduce cost of temporary accommodation. This included adaptation of existing assets, acquisitions, construction of temporary dwellings and lease of properties out of borough.
4. The Cabinet report set out recommendations for how to meet our statutory homelessness responsibilities through the provision of a 5-year accommodation strategy compatible with the Placement Policy agreed by Cabinet previously in June 2023.
5. Homelessness demand is currently at crisis point fuelled by rising demand and collapse of available private sector properties, especially at the affordable

end of the market. This impact is being felt across London and in other parts of the country.

6. The costs of the existing portfolio and for acquiring new supply are rising as a result of competition for the limited availability.
7. The growing use of hotel accommodation for nightly paid accommodation is a key budget pressure. On average, the use of a single hotel room for one year represents £20k more cost than traditional TA options, which in itself is loss making for Enfield.
8. If left unabated at current levels the use of hotel accommodation and local nightly paid accommodation could cost the council approx. £360m over the next five years for 3,000 units. These costs are volatile and further increases may be seen over the period as we expect to see further withdrawal by landlords from the LHA market. The alternative proposed by this strategy is that we bring more accommodation under the Councils direct control through ownership or lease giving increased certainty and providing greater resilience against price fluctuations in the private rented sector.
9. The Council's MTFP for 2024/25 provides for a significant revenue contribution to this statutory service. This net deficit arises as a result of the cost of providing accommodation solutions being more than the rental income and Homelessness Prevention Grant allocated by Government. As the council reduces its use of revenue funded temporary accommodation solutions the aim would be to service debt costs to support the capital investment from this contribution. The priority is to reduce the use of hotels and of the 2000 Nightly Paid Accommodation units which have the biggest impact on driving the deficit position. The financial strategy to support the plan is set out later on in the report.
10. GLA grant will be sought under the Affordable Housing Programme, Specialist Housing and Care Route. Initial conversations with the GLA have been positive as the GLA recognised the financial burden placed upon local authorities to address the growing homelessness and temporary accommodation costs. The GLA is actively engaged and is encouraging a bid to deliver the accommodation as the first specialist accommodation in the London wide programme.
11. The refurbishment works will be delivered in house by Enfield Repairs Direct and sub-contractors which will ensure the project is cost efficient from build to lettings.

### **Preferred Option and Reasons for Preferred Option**

12. The preferred option is for Enfield Repairs Direct (ERD) to carry out the refurbishment works. The conversion from office use would reactivate the building which is currently empty whilst minimising costs by retaining the existing structural integrity of the building and undertaking minimal intrusive work, enabling a swifter solution to the growing housing crisis.

13. ERD will deliver the improvement works and will be managing the process in accordance with Facilities Management and Building Control requirements. By completing the works in house this will help to reduce programme delays and will reduce costs. The primary reason for adopting this approach is:
  - a. ERD can deliver these works quickly and ensure the building is fit for occupation within 8 weeks.
  - b. To provide value for money with no consultancy or contractor fees.
  - c. The pricing of the works costed by ERD is competitive.

### **Relevance to Council Plans and Strategies**

14. The contract will support the following objectives from the Council Plan:
  - a. **More and better homes:** the refurbishment will increase housing provision with the addition of a new homeless scheme housing circa 36 people.
  - b. **Sustain healthy and safe communities:** increasing the provision of housing and reducing homelessness will create and maintain healthy and confident communities.
  - c. **An economy that works for everyone:** providing appropriate housing so residents can fully participate in activities within their neighbourhood.

### **Financial Implications**

#### Summary

15. Council approved the inclusion of £30m temporary accommodation within its pipeline scheme register (Feb 2024 KD5502). Council has delegated to Cabinet (or Lead Member for Social Housing in this instance) authority to approve the transfer of up to £10m of the £30m temporary accommodation 'budget' from pipeline scheme into the main capital programme.
16. This report seeks Lead Member for Social Housing approval to move £573k of budget from pipeline into the 2024/25 capital programme for the conversion of John Wilkes House into temporary accommodation.
17. An alternative option is to sell John Wilkes for approx. £2m. This would be used to pay down borrowing and save the Council £200k a year in financing costs.

#### General Fund Capital Budget Impact

18. An additional £573k would be added to the main capital programme, funded by £378k of borrowing and £195k of GLA grant, subject to a successful application.
19. Table below provides a breakdown of planned spend in capital budget. The works are expected to complete within 8 weeks of commencement.

<b>Project Budget</b>	<b>£k</b>
Building Works	£384k
Fixtures and Fittings	£51k
<b>Capital Budget Excluding Contingency</b>	<b>£434k</b>
Contingency @ 20%	£138k
<b>Capital Budget Including Contingency</b>	<b>£573k</b>
<i>Funded by:</i>	
GLA Grant*	£195k
Borrowing	£378k
<b>Capital Funding</b>	<b>£573k</b>
Decoration	£78k
<i>Funded by:</i>	
Revenue Budget	£78k
<b>Total Project Costs</b>	<b>£650k</b>

\*Subject to a successful GLA Grant bid

### General Fund Revenue Impact

20. Refurbishment works include internal decoration which is estimated to cost £78k and will be charged to the homelessness revenue budget.

21. The conversion of JWH will allow the Somewhere Safe to Stay Hub to relocate from Claverings. Claverings currently has space for 31 people, John Wilkes House will have space for an addition 5 people. The projected revenue costs for this are as follows:

<b>Revenue Expenditure</b>	<b>£</b>
Staffing Costs	547,877
Cleaning	27,541
Communications	120
CCTV	20,000
Utility Bills	48,305
Insurance	4,005
Water	3,597
Repairs	30,000
Council Tax	4,131
Refuse charges	2,137
Other	3,000
<b>Total running costs</b>	<b>690,713</b>

22. The service receives grant from the DHLUC rough sleeping initiative (RSI). Grant funding from DHLUC Rough Sleeping Initiative 22-25 for Somewhere Safe to Stay Hub ends 31 March 2025. We do not know whether we will receive continued funding from 01 April 2025. However, rough sleeping numbers in London and across the UK have increased and the SSTS Hub has proved very effective in reducing rough sleeping in Enfield. It is therefore likely that continued money will be made available next year.

23. Residents in the hub will be charged the 1 bedroom LHA rent for Enfield of £264.44 per week. As JWH is owned by Enfield the rent charge is not subject to HB Subsidy loss, this means Enfield are able to retain the whole rent levied to fund the revenue costs.

24. The 36 pods in JWH will generate a maximum rental income of approx. £496k per annum, however the nature of the accommodation means that a high void rate is likely – it is therefore expected that the hub will generate a rental income in the region of £447k annually after voids at approx. 10%. This is an additional £62k compared to the income received for 31 pods.

<b>Revenue Income</b>	<b>£</b>
RSI Grant	(442,113)
Rental Income	(446,752)
<b>Total Revenue Income</b>	<b>(888,865)</b>

25. The capital works of £573k will be funded from borrowing and will incur annual financing costs of £87k.

26. The net surplus to the revenue budget is £49k:

	£k
Expenditure	£691k
Income	(£889k)
Financing Costs	£87k
(Surplus) / Deficit	(£49k)

27. If the hub was not available, it would be likely that single males would need to be housed in commercial hotels at a net average cost of £25 per night. This would equate to an annual net cost per person of approx. £9k. Compared to more expensive forms of nightly paid temporary accommodation this proposal would result in annual savings of £320k.

(Surplus) / Deficit	(£49k)
TA Savings	(£320k)
(Surplus) / Deficit + TA Savings	(£369k)

28. An alternative option will be to sell John Wilkes House. It's estimated the Council would receive approx. £2m if sold which would be used to pay down existing borrowing. This would result in a saving of £200k a year in financing costs to the general fund revenue budget.

29. The table below presents a comparison of the 2 options for John Wilkes House and the impact on the general fund revenue budget.

	Refurb	Sell
Revenue Impact (Saving) / Cost	(£369k)	(£200k)

### HRA Capital Budget Impact

30. John Wilkes House is currently a GF asset, with the refurbishment works being funded from the GF. It was decided that the property would remain within the GF and not appropriated to the HRA as the hub will be used on a temporary basis and wouldn't be financially viable on this basis.
31. The refurbishment works will be completed by the HRA's ERD team with work costs recharged to the general fund.

### HRA Revenue Budget Impact

32. The HRA's ERD team will recharge costs to the general fund. No other known impact on the HRA revenue budget.

### Borrowing Impact

33. The total cost of the works is £650k. The capital element totals £573k. If all of this is funded by borrowing then this will attract an annual interest charge of £30k and MRP of £57k based on an interest rate of 5.2% over 10 years. Total annual financing costs of £87k.
34. Should the GLA grant application be successful then the total borrowing would reduce to £378k, which will reduce financing costs to £58k a year (£38k interest and £20k MRP)

### Accounting Treatment

35. Costs will be accounted for in compliance with the Councils capitalisation policy. Any costs that cannot be capitalised will be charged to the revenue budget.
36. A breakdown of cost is provided in paragraph 25. Costs identified as capital will enhance and extend the useful economic life of John Wilkes House and therefore meet the criteria for capitalisation.

### Financial Risks

37. Planned works have been reviewed to ensure they meet the definition of capital spend. Non-asset enhancing spend (decoration and consumables) is revenue spend, to be funded from General Fund revenue budgets.
38. The Council hopes to secure Greater London Authority (GLA) grant to part fund capital works, which would otherwise be funded from borrowing. It is recommended that the GLA grant bid includes provision for the upfront revenue costs of this project (e.g. consumables, furnishings) to reduce potential revenue budget requirement.
39. The works are planned to be directly awarded to the Council's in-house Enfield Repairs Direct (ERD) team without competitive tendering. The schedule of rates used by ERD have been reviewed to ensure they are competitive in comparison with other contractors.

40. There is risk that staff recharges (including ERD) to this scheme do not comply with the Council's published policy for staff capitalisation. To address this risk, all proposed staff recharges will be reviewed prior to being journalled to ensure staff have been working directly on this scheme, no additional overheads are included, and that the salary recharges are in line with estimates above.
41. Whilst the works are planned to be completed within a relatively short 8-week timeframe, assurance has been obtained from ERD that the planned timeline is deliverable. There is a risk that planning consent for change of building use is not granted, which may impact on planned commencement date.

### **Legal Implications**

42. The Council has the power under section 1(1) Localism Act 2011 to do anything individuals generally may do providing it is not prohibited by legislation and subject to Public Law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power as recommended in this report. The Council has the power to alter, repair or improve its housing stock in accordance with section 9 of the Housing Act 1985. Under section 11 of the Landlord & Tenant Act 1985 the Council has repairing obligations in respect of properties which are occupied by its tenants and these obligations cover the structure, exterior including drains, gutters, external pipes, installations in homes including water, gas, electricity and sanitation and installations for space heating and heating water. Further, under section 111 Local Government Act 1972 local authorities may do anything, including incurring expenditure or borrowing which is calculated to facilitate or is conducive or incidental to the discharge of their functions. The recommendations in this report are in accordance with these powers.
43. This has been categorised as a works contract, the value of which is below the threshold at which the Public Contracts Regulations 2015 apply to the procurement. Any procurement must still be carried out in accordance with the Council's Contract Procurement Rules (CPRs). The use of a framework is a compliant route to award, provided that the Council can legitimately use the framework and the award process complies with the terms of the framework. The terms of the call-off contract must be consistent with the framework, and in a form approved by Legal Services on behalf of the Director of Law and Governance.

### **Equalities Implications**

44. The works will be delivered and will benefit residents irrespective of their protected characteristics.
45. Development of disabilities following the completion of the works and any required adaptations will be managed under the council's existing aids and adaptations referrals process.



## **Environmental and Climate Change Implications**

46. The works will provide improved environmental performance by providing modern facilities. Will meet current regulations.
47. The delivery of this work will meet minimum criteria of the councils sustainable and ethical procurement policy.

## **Public Health Implications**

48. Having somewhere to live is a necessity for human health, undertaking this work and increasing housing provision will help secure this. In turn helping to reduce the number of preventable referrals to both hospital and residential social care.

## **Safeguarding Implications**

49. The building is vacant with no residents in occupation, however all EDR operatives and associated contractors have (DBS) and adhere with the Councils Safeguarding Policy.

## **Procurement Implications**

50. There are no implications as this work is being undertaken in house by Enfield Repairs Direct.

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## **Appendices:**

Appendix 1 Equalities Impact Assessment