

## CABINET

16 July 2019

<b>Title:</b> Refurbishment and Change of Use of Grays Court Hospital, John Parker Cl, Dagenham RM10 9SR	
<b>Report of the Cabinet Member for Regeneration and Social Housing</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> Village	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Ed Skeates, Development Director, Be First	
<b>Accountable Directors:</b> Claire Symonds, Chief Operating Officer and Graeme Cooke, Director, Inclusive Growth	
<b>Summary</b>	
<p>Grays Court Hospital on John Parker Close, Dagenham was constructed in 2005, and occupied by the NHS until May 2019. The 0.41ha site is currently vacant, with the exception of the Partnership of East London Cooperatives (PELC), a not-for-profit social enterprise delivering NHS integrated urgent care services. They occupy two small office rooms out of normal office hours (Mon-Fri between 6pm and 10.30pm and Sat/Sun 8am to 10.30pm) to operate their out of hours GP service.</p> <p>The Council owns the freehold of the site and as the NHS have vacated the building, a long-term use needs to be identified. An options analysis has been undertaken assessing the development potential of the site.</p> <p>There is significant demand for Temporary Accommodation (TA) that can be used as emergency short-term accommodation for families. Since the changes to legislation under the Homelessness Reduction Act 2017 the Council has seen a marked decrease in homeless approaches by single people and sharp increases in approaches from families. The lack of emergency accommodation for families prevents short-term placement in TA while long term affordable, suitable accommodation is found.</p> <p>In order to respond to this demand, it is proposed that Grays Court Community Hospital is refurbished to provide c.56 family temporary accommodation rooms. Having a ready supply of this type of accommodation reduces the need to procure much more expensive private sector accommodation.</p> <p>It is also proposed that on-site support services are provided by relocating the Community Solutions Team currently based at John Smith House to Grays Court Hospital.</p> <p>The refurbishment of Grays Court Hospital would enable the Council to respond to this need by providing a more flexible TA offer, including larger family rooms. Together with dedicated support provided by Council staff on-site, this will enable the people living at Grays Court Hospital to find long-term accommodation more quickly. By providing on-site support a number of benefits would be provided to residents including:</p>	

- Providing training and employment opportunities
- Live healthier lifestyles
- Family support, including children's support, play and speech sessions, family counselling

Furthermore, Grays Court Hospital could act as a community hub, providing access to facilities and services for the wider community. Possibilities for additional community facilities at this site include:

- A further Community Food Club
- Cooking school and meal sharing offer
- Education and training offer
- A family learning offer
- Careers fairs and job clubs
- The continuation of the out of hours GP service from this building

The refurbishment of Grays Court Hospital would, once complete, allow the Temporary Accommodation (TA) currently provided at Brocklebank Lodge to be decommissioned as part of the Council's strategy to develop a fit for purpose TA portfolio. Brocklebank Lodge is in poor condition and requires significant investment in order to remain operational in the longer term. However, current provision at Brocklebank Lodge is primarily for smaller (single) Temporary Accommodation units, for which there is low demand.

Brocklebank Lodge would become operationally surplus once Grays Court is open. Options for the future use of the Brocklebank Lodge site will be developed and taken through the Council's governance process in due course.

Planning permission will be required to change the use at Grays Court.

The local community will be engaged at an early stage of the design and planning process, so that they have an opportunity to input into the scheme design, in order to seek their support for the proposals prior to the submission of the planning application.

The initial feasibility work assessing the development potential of the site has been reviewed by the Corporate Performance Group, who confirmed that the recommended option achieves the required level of financial return to the Council.

Cabinet approval is therefore sought to refurbish Grays Court Hospital to provide new temporary accommodation (TA).

Be First would prepare a detailed planning application and procure the works.

The estimated development costs are c.£3,951,000, to be funded through the Council's Capital Programme.

**Recommendation(s)**

The Cabinet is recommended to:

- (i) Approve the refurbishment of Grays Court Hospital to provide c. 56 temporary accommodation units and ancillary office space for the relocation of the Community Solutions Team;

- (ii) Agree to funding up to £3,951,000 within the Capital Programme to finance the refurbishment of Grays Court Hospital to cover the Total Development costs to deliver the scheme;
- (iii) Delegate authority to the Director of Inclusive Growth, in consultation with the Director of Law and Governance and the Chief Operating Officer, to negotiate terms and agree the contract documents to fully implement and effect the project; and
- (iv) Authorise the Director of Law and Governance, or an authorised delegate on their behalf, to execute all the legal agreements, contracts and other documents on behalf of the Council.

#### **Reason(s)**

To support the:

- Regeneration and development of the borough
- Provision of a fit for purpose Temporary Accommodation offer
- Provision of community and social benefits
- Development of an asset to maintain its long term economic and social use.

## **1. Introduction and Background**

### **Grays Court Hospital Building**

- 1.1 The site comprises a 4,617m<sup>2</sup> purpose-built community hospital, constructed in 2005. The building is split into a residential unit (approximately 45 beds) and day care centre. The day care centre is located on the ground floor, with its own entrance. A site plan and aerial photos are provided in Appendix 1.
- 1.2 The building was occupied by the NHS until May 2019 on a Full Repairing and Insuring lease, paying an annual rent of £292,772. The hospital provided health care services for patients throughout north-east London. However, due to the reduction in demand for bed spaces the building no longer meets their operational requirements. As a result, the NHS have relocated to a new facility in Romford. The building is currently vacant, with the exception of the PELC, who occupy two small offices to provide an out of hours GP service. They have advised that they wish to remain at the property in the short-term.
- 1.3 The building is in good condition. An opportunity has been identified to reconfigure and change its use to respond to the current and future demand for temporary accommodation, specifically from families. There is also scope to provide public access to part of the building (that was previously used as a day care centre), so that the local community can benefit from the facilities and services provided from Grays Court Hospital.

### **Temporary Accommodation Need**

- 1.4 The Council's temporary accommodation consists of emergency accommodation, use of decant Council stock, a building leased from London and Quadrant Housing

and Private Sector Leases through private landlords of privately rented property. The emergency stock owned by the Council consists of four buildings: Boundary Road and Brocklebank Lodge which are both accommodation for single people, and Riverside and Butler Court, which can provide emergency accommodation for families.

- 1.5 Since the changes to legislation under the Homelessness Reduction Act 2017 the Council has seen a marked decrease in homeless approaches by single people and sharp increases in approaches from families. 2018/19 saw a 95% increase in numbers of households approaching as homeless (1,082 in 17/18 and 2,106 in 18/19). While there has been strong performance in terms of preventing homelessness, the lack of emergency accommodation for families prevents short-term placement in TA while long-term affordable accommodation is found. Increasing the supply of emergency accommodation suitable for families, together with on-site support services, would enable a better service to be provided to customers to help them find long-term accommodation more quickly.

### **Brocklebank Lodge**

- 1.6 Brocklebank became a TA facility 6 years ago and was previously housing for older people, before providing 35 TA rooms for single people. The building is in a poor state of repair and in need of significant improvement. In order to meet the current demand for TA by families, it would need substantial internal works to reconfigure the space in order to make it suitable to accommodate customers' needs. However, this would result in the number of units falling to around 15, significantly less than the 56 rooms that could be created at Grays Court Hospital.
- 1.7 The redevelopment of Grays Court for TA would meet demand for family TA rooms in the Borough, thereby making Brocklebank Lodge operationally surplus as a TA facility, providing an opportunity for future development. Any decision on the future of Brocklebank Lodge would be subject to a future Cabinet decision.

### **Wider Community Benefits**

- 1.8 There is also an opportunity to provide additional community facilities at this site which could include:
- A new Community Food Club, offering discounted food alongside budgeting, employment and skills and healthy lifestyles advice. This offer is working well in Heath Ward and is to be extended to a number of other sites through 2019. This could be a location which would be of benefit to the local community and a service which would also be accessed by residents of Grays Court.
  - Cooking school and meal sharing offer linked to the food club. Cooking skills help residents save money, reduces waste, and improve their health, and encourage community engagement.
  - Offer of specific training to meet the needs of the community, for example English for Everyday, which is a free course, which aims to improve people's confidence in to communicate in English, to enable them to access further learning and take their first steps on an employment pathway.

- Family learning offer - learning as a family is a way of encouraging whole life learning, strengthening family relationship and improving school achievement. This can also be used as a way of giving adults the confidence to engage in adult learning and make them aware of the opportunities this may provide them to improve their employment prospects and with this their income.
- Careers fairs and job clubs - to promote the employment opportunities currently available in and around the borough, with support around CV writing, interview skills and linked to our adult education offer.
- The continuation of the out of hours GP service from this building - the PELC use part of the building to provide an out of hours (evening and weekends) GP service. It is proposed that this continues.

## 2. Proposals

### Options Analysis

- 2.1 Feasibility work was carried out exploring a range of development options for Grays Court Hospital. Following a review of the design feasibility work by the Investment Panel, three options have been appraised:
1. Do Nothing.
  2. Demolition and redevelopment to deliver to deliver c.44 affordable homes.
  3. Refurbish Grays Court Hospital to provide c.56 new TA family rooms, ancillary office space for Council support staff, and publicly accessible community space (recommended option).

### Financial Summary

- 2.2 Whilst options 1 and 2 represent a viable investment proposition, and would achieve the Council's financial return targets, they deliver a lower return in comparison with Option 3 (the recommended option),
- 2.3 The operating revenue for a new TA facility (net of operating costs) is estimated at c.£753k per annum, which is significantly higher than the rental income received when the building was let to the NHS (c.£293k per annum).
- 2.4 Option 3 also provides an opportunity to optimise long-term operating revenue, with lower capital investment compared with the option to redevelop the site for housing.
- 2.5 The investment metrics for the option 3 are summarised as follows:

Performance metric	Actual	Target
Year 1 Surplus	£647,000	£0
Year 6 surplus	£574,000	£0
Operational IRR	21.2%	7%
Net Present Value (3.5% discount rate)	£40,330,000	£0
Yield on Cost	20.8%	4%

- 2.6 Total development costs are estimated at £3,951,000, c.£300,000 of which would be incurred to secure planning permission and procure the contractor, prior to works commencing on site.

### **Planning Policy Considerations**

#### Community Uses

- 2.7 The current use as a community hospital is classified as D1 community use. At both a regional and local level, planning policy strongly resists the 'unnecessary' loss of Class D1 community facilities. Local policy states that development proposals which will result in the loss of a community facility will be accepted if one (or more) of the following criteria is met:
- i The facility is replaced within the new development;
  - ii The facility is re-located, or a better facility is provided in a more appropriate building or location on another site which improves its accessibility in terms of proximity, walking and public transport, safety and physical accessibility; or,
  - iii The Council is satisfied that the facility is no longer needed and there are no reasonable prospects of reuse by an alternative community use despite attempts (over a minimum period of 12 months) to market it.
- 2.8 The NHS has identified the Community Hospital facility as surplus to operational requirements due to the lack of use of the bed spaces, and has relocated to a new building in Romford, clearly demonstrating that there will be no shortfall in provision of health services for the local community. This fulfils the requirements of criteria ii above. There is substantial and pressing need to provide temporary accommodation in the borough. This is a significant material consideration which helps justify the loss of the Class D1 use in this instance.
- 2.9 The PELC currently provide an out of hours GP service from Grays Court. A policy compliant approach will require either: the facility to be replaced within the new development; or, the facility to be relocated to a more appropriate location. It is proposed that the PELC remain at Grays Court, and discussions with them are continuing in order to agree the arrangements for their ongoing occupation of the building.
- 2.10 The principle of new temporary residential accommodation, designed to meet an acute identified need, is supported in planning policy terms.

#### Design Considerations

- 2.11 Temporary residential units are Sui Generis (class of their own) uses and, therefore, are not required to adhere to the minimum internal space/private amenity space standards set out in the London Plan. Nevertheless, all units should be designed to ensure that they are fit-for-purpose and are of the highest standard possible.
- 2.12 While Sui Generis uses are not required to meet zero carbon standards, a minimum of 35% carbon savings over Part L of Building Regulations should be pursued.

- 2.13 Planning policy acknowledges the need for car parking in outer London locations with poor PTALs, especially to address overspill parking pressures. The approach, however, should be to discourage car reliance by limiting car parking provision and utilising other mechanisms (such as car clubs). Evidence submitted with recent temporary accommodation planning applications (Weighbridge and Wivenhoe) shows that car ownership of existing temporary accommodation population is typically less than 25%. Sufficient provision will need to be made for disabled car parking.
- 2.14 A transport consultant would be appointed to inform an appropriate level of car parking to be provided to support the use without causing adverse impacts on local highways.
- 2.15 More detailed design analysis will be undertaken as part of the next stage of the design and planning process.

### **Recommended Option**

- 2.16 The recommended option (Option 3) is to refurbish Grays Court to provide:
- c. 56 Temporary Accommodation units.
  - office space for Council staff at John Smith House to relocate to Grays Court in order to provide on-site support services for people living in the TA.
  - two office rooms to the PELC (should they wish to continue to occupy the building) to operate their out of hours GP service between the hours of Mon-Fri between 6pm and 10.30pm and Sat/Sun 8am to 10.30pm.
  - publicly accessible community space.
- 2.17 This option is recommended as it:
- Provides a fit for purpose TA offer, that improves the financial return to the Council in the long-term.
  - Facilitates the relocation of Community Solutions staff at John Smith House to better quality facilities at Grays Court, improving the quality of support services for the community.
  - Is the quickest and most cost-effective solution to provide a sustainable fit for purpose TA offer across the Council's portfolio.
  - Meets planning policy requirements at Grays Court Hospital.
  - Would enable Brocklebank Lodge to be released for redevelopment (subject to a future Cabinet report).

### **3. Delivery Arrangements**

- 3.1 It is proposed the scheme is delivered by Be First, who will progress the project through the planning process, and manage the delivery of the works. It is proposed

that a contractor for the works is procured through the Be First construction framework.

## **Programme**

3.2 The following programme is proposed:

<b>Gateway Progress Dates</b>	<b>Date</b>
<b>Cabinet approval</b>	July 2019
<b>Contract Award</b>	July 2019
<b>Planning Submission</b>	September 2019
<b>Planning Permission</b>	January 2020
<b>Start on Site</b>	January 2020
<b>Practical Completion</b>	March 2020

3.3 Two months has been allowed to prepare the planning application, including public consultation, and a 13-week determination period.

3.4 Works are estimated to take two months to complete.

## **Funding**

3.5 The estimated development costs are c.£3,951,000 to be funded through the Capital Programme.

3.6 The pre-development costs are estimated to be c.£300k, to undertake building surveys, prepare the planning application, and procure the contractor.

## **4. Consultation**

4.1 There has been no public consultation on this scheme to date. Subject to cabinet approval public consultation will be carried out on the proposals to inform the design and use of the building prior to the submission of the planning application.

4.2 A meeting was held with ward councillors on June 24<sup>th</sup> to brief them on the proposals. They were supportive of increasing the supply of temporary accommodation for families at this location providing the following issues were adequately addressed to ensure local residents were not adversely affected, and could also benefit from the new community facilities:

- Security and safety issues arising from changing the use to temporary accommodation.
- A robust management strategy is in place to ensure the property is maintained in good condition, and the risk of anti-social behaviour is minimised.
- Adequate car parking arrangements to be provided for on-site staff and TA residents.



- Adequate indoor and outdoor space and facilities for children.
- Community facilities are available to local people and add value to the existing community offer provided in the local area.

4.3 The PELC have been informed of the Council's proposals. Whilst the PELC have advised that they are seeking alternative premises, they have yet to identify anywhere they can relocate to. It is therefore proposed that they remain at Grays Court Hospital during the refurbishment works, and once the new TA facility is operational, to ensure that they can continue to provide their out of hours GP service until they find suitable alternative arrangements.

## **5. Financial Implications**

Implications completed by: David Dickinson, Investment Fund Manager

- 5.1 Council borrowing from the Capital Programme of £3,951,000 is required to deliver the project, based on the proposed programme, of which £300,000 would be incurred prior to works commencing.
- 5.2 If option 3 is agreed, this will potentially provide a year 1 surplus of £647k and a year 6 surplus, when all borrowing costs and management costs are incurred, of £574k.
- 5.3 A new TA facility at Grays Court would provide improved operating revenues compared with the current TA facility at Brocklebank Lodge. Brocklebank Lodge would become operationally surplus, thereby providing an opportunity to redevelop the site. This will be subject to a separate report and approval.

## **6. Commissioning Implications**

Implications completed by: Graeme Cooke, Director of Inclusive Growth

- 6.1 The proposals set out in this report would increase the supply of accommodation that can be used to house families in the short-term while further assessments are carried out and longer-term housing options identified. Having a supply of this type of emergency accommodation reduces the need to procure much more expensive private sector accommodation. It also means that the Council can be sure of the quality of the accommodation and building management. As such, the proposals are in line with the Council's Homelessness Strategy.
- 6.2 As the report explains, once the temporary accommodation at Grays Court is available, this will allow the temporary accommodation at Brocklebank Lodge to be decommissioned. The current provision at Brocklebank does not meet the need for family-sized emergency accommodation, and Brocklebank is in poor condition and as such would need investment if it were not decommissioned. The future use of the Brocklebank site once the temporary accommodation has been decommissioned will be subject to a future Cabinet decision.

## **7. Legal Implications**

Implications completed by: Paul Feild, Senior Governance Lawyer Legal, Kayleigh Eaton – Senior Contracts and Procurement Solicitor

- 7.1 The Homeless Code of Guidance 2018 provides that hostels can offer short-term accommodation to people who are experiencing homelessness, and housing authorities will wish to ensure they make the most effective use of services available, and that accommodation is suitable for the applicants placed there. Hostel accommodation that involves families or pregnant women sharing facilities with other households will not be suitable for longer-term placements.
- 7.2 The provision of temporary accommodation is a responsibility of the Council within the general fund. It is not until a duty to provide housing has been established does the cost of housing become located within the housing revenue account.
- 7.3 Any redevelopment must be procured in accordance with the Council's Contract Rules and where the works exceed the threshold set out in the Public Contracts Regulations 2015 (the 'Regulations') (currently set at £4,551,413) then the procurement must be conducted in line with the Regulations.
- 7.4 It is noted that the Council owns the freehold of this site which is currently vacant (with the exception of the Partnership of East London Cooperatives occupying two small office rooms) as the lease between the Council and the former NHS tenant was determined in May 2019. It is also noted that there will be no disposal of this asset. Subject to obtaining the appropriate planning permission to change the use from the current D1 community use and on informing the Council's Property Services Team of the potential change in use, the Council will be able to establish this much needed resource in the Borough to provide a more flexible temporary accommodation service suitable for families, together with on-site support services.

## **8. Other Implications**

### **Corporate Policy and Equality Impact**

- 8.1 An Equalities Impact Assessment (EIA) Screening Report has been carried out, which concluded that a full EIA is not required at this stage due to the net positive impact of the proposals, particularly responding to the greatest need for providing emergency accommodation, and associated support services, which will be accessible to a wider demographic. Furthermore, the NHS have confirmed that the community hospital is surplus to their requirements in this location and have relocated to a new facility in Romford.
- 8.2 Should the public consultation bring to light any further equality issues, this position will be reviewed, and a full EIA will be carried out prior to the submission of the planning application if required.

## 9. Risk Management

### Securing Planning Permission

- 9.1 Refurbishment of Grays Court Hospital to provide TA will require planning permission to change the use from the current D1 community use. There are specific criteria to justify the loss of D1 space, which are met by the proposals, as the NHS have confirmed that the building is surplus to their requirements. Where it is demonstrated that there is still demand for D1 space (for example the PELC's requirement for space), this will be accommodated within the proposals.
- 9.2 Furthermore, it can be demonstrated that there is strong demand for TA, thereby supporting the proposed change of use.
- 9.3 Public consultation will be carried out on the design and use of the building in order to inform and seek public support for the proposals prior to the submission of the planning application.

### Costs increases

- 9.4 The costs are based on a high-level cost plan, assessing the works required to reconfigure the layout and change the use. A 10% contingency has been allowed for in the cost estimate.
- 9.5 A survey of the building will be undertaken prior to the preparation of the detailed drawings, so that a robust scope of works can be prepared and costed prior to submission of the planning application and entering into the works contract.

### Programme delays

- 9.6 The programme aims to open the new TA facility by the end of March 2020. There is a risk of delay, for example due to delays to securing planning permission, and unknown issues with the building increasing the duration the works. Regular discussions will be held with the planning team during the design and planning process to ensure the proposals meet planning policy requirements. A building survey will be undertaken at the outset in order to inform the design and scope of works, and any programme implications. The programme will be continuously monitored throughout the various stages of the project.

### Vacant space at John Smith House

- 9.7 An alternative use for the space vacated by the Community Solutions staff based at John Smith House needs to be identified. A number of potential occupiers have been identified and discussions are ongoing to find the most cost-effective use that also delivers benefits to the local community.

### **Public Background Papers Used in the Preparation of the Report:**

None.

### **List of Appendices:**

Appendix 1 - Site Plan and Aerial Photos