

To: Cabinet
Date: 3 October 2019
Report of: Head of Housing
Title of Report: Floyds Row – Single Homelessness Engagement and Assessment Centre – Approvals for additional capital funding and commissioning the delivery of the services from this new facility

Summary and recommendations	
Purpose of report:	To seek approval to increase the capital budget envelope for the Floyds Row project; to delegate authority to commission further capital works; and to commission the service contract to operate services from this new project.
Key decision:	Yes
Executive Board Member:	Councillor Linda Smith, Deputy Leader and Cabinet Member for Leisure and Housing
Corporate Priority:	Meeting Housing Needs
Policy Framework:	Housing and Homelessness Strategy 2018 to 2021
Recommendations: That Cabinet resolves to:	
1.	Recommend that Council revise the capital budget for this project, to take the capital envelope of the project to £1,892,300, including contingencies, as outlined in Appendix 3 Option A, increasing the budget by £1,134k. Noting grant funding already secured of £275k capital funding from the Ministry of Housing, Communities and Local Government (MHCLG), and £100k from Public Health England, which will reduce the funding requirement from the Council's 2019/20 capital programme accordingly, and noting that additional external funding contributions are being progressed from a variety of sources, including the MHCLG; Oxfordshire District and County Councils; the Oxfordshire Clinical Commissioning Group and other charitable sources;
2.	Recommend that Council make budget provision for the gross revenue costs of providing Floyds Row in the sum of £1.069 million in 2019-20 funded by grants and contributions;
3.	Delegate authority to the Assistant Chief Executive, in consultation with the Head of Finance and Head of Law and Governance, to enter into contracts to complete the full capital works to convert the building (phases 1 and 2), on the basis that in the opinion of the Head of Finance, that this continues to represent best value;

4. **Delegate authority** to the Regeneration and Major Projects Service Manager, in consultation with the Heads of Housing and Finance, to enter into a lease of Floyds Row for a peppercorn rent, on the basis as summarised in this report;
5. **Delegate authority** to the Head of Housing, to enter into a Service Contract as set out in this report, for the delivery of services at Floyds Row from 1st April 2020 to 31st March 2021,
6. **Note** that the current Street Outreach Team contract with the Council will be varied to include the interim service arrangements (worth c.£400k) up to end March 2020 within existing budget and funding envelopes;
7. **Delegate authority** to the Head of Housing to undertake the re-procurement of the Street Outreach and Floyds Row commissioned services during 2020/21, noting a further report will be brought to Cabinet in late 2020, to recommend the award of contract; and the annual report on rough sleeping and single homelessness commissioning spend, will be brought to Cabinet in March 2020;
8. **Agree** to provide the grant funding proposed in this report in order to facilitate the initial trial period of operation of the Floyds Row assessment centre; and
9. **Note** the progress with the development of this venue and new services, as part of a wider transformation programme. Noting that interim Somewhere Safe to Stay and Winter Shelter services will commence from Simon House from late October 2019, with some services moving to Floyds Row in January 2020, with the current programme expecting the completion of Floyds Row by end March 2020.

Appendices

Appendix 1	Risk Register
Appendix 2	Equality Impact Assessment
Appendix 3	Financial Analysis and Comparability Statement of Proposed Options

Introduction and Background

1. This report provides an update to Cabinet on the continued progress of the development of Floyds Row, as the venue for the delivery of a new engagement and assessment centre for rough sleepers and single homeless people. Project Approval was given at City Executive Board on 10th April 2019, and the CEB recommendation to amend the initial capital budget for the project was agreed at Council.
2. As with other areas of the country, Oxfordshire has seen a dramatic increase in the numbers of rough sleepers on its streets. Whilst rough sleeping is most visible in Oxford where the majority of services are provided, single homelessness is experienced – and its' impacts felt - across the county. Quarterly street counts carried out by Oxford City Council continue to show that whilst the number of people

sleeping rough fluctuates, the general trend remains high and most people sleeping rough in the city do not have a connection to Oxford.

3. The high number of rough sleepers and people at risk of rough sleeping calls for a rapid and effective response. On average, over the past year, the City's outreach team have identified 20 individuals each month who were brand new to rough sleeping in Oxford, with this sometimes being much higher – 42 in May 2019. The human cost of rough sleeping is severe; the average age of death for a person who dies whilst living on the streets or in homeless accommodation is 47 years old compared to 77 for the general population. A high and increasing proportion of people sleeping rough and accommodated in the Adult Homeless Pathway are experiencing multiple disadvantage, including drug and alcohol dependency and mental health issues.
4. The Oxfordshire councils and the Oxfordshire Clinical Commissioning Group have already recognised that there is a need to work together to tackle this issue, and build on the current joint commissioning arrangements to review needs and services across the county and develop a strategy for rough sleeping and single homelessness in Oxfordshire. The City Council and District Council partners have committed through successive funding bids to delivering the government's ambition to halve rough sleeping by 2022 and end it by 2027. The successful bids to Rough Sleeping Initiative (RSI) and Rapid Rehousing Pathway (RRP) funding submitted by Oxford City Council and Cherwell District Council on behalf of partner authorities, have helped to develop more co-ordinated services for persons sleeping rough or at risk of homelessness.
5. In Oxford, the City Council's successful bid for (RSI) funding has already delivered positive results. 44% of rough sleepers who visited the new multi-agency service hub between September and March 2019 were in long term accommodation by the end of the period and only 27% were still rough sleeping (almost two thirds of whom were rough sleeping prior to 2018/19). The November street count in Oxford was down from 61 in 2017 to 45 in 2018, suggesting a good impact from the initiatives in place so far.
6. Floyd's Row is the first step towards the transformation of Oxfordshire's services and support for rough sleepers and single homeless people, with the focus on prevention and early intervention, engaging people with services and co-producing accurate assessments of need in order to prevent a return to the street.
7. The vision for Floyds Row is that it will deliver a range of services that will be available to all those in need (regardless of local connection), including:
 - Dedicated **winter shelter** (16 spaces) and an **assessment hub** operating 24/7, 365 days a year, as a safe venue to support people rough sleeping and often with complex needs
 - Specialised clinical **treatment hub** for single homeless people with drug and alcohol issues which will greatly improve opportunities to engage people in

- services when they seek accommodation; improve health outcomes; and reduce dependency on emergency services
- **Somewhere safe to stay service** (20 spaces) stays of up to seven days including some provision to those without recourse to public funds, and
 - **Staging Post** (20 spaces), to accommodate people for up to 28 days to facilitate them moving forward with their housing plan.
8. The accommodation facilities will mostly be dormitory based, but will have separate provision for women, and separate rooms/ bedrooms that can be available for vulnerable people
9. Crucially, Floyds Row will provide a front door available to clients at risk of rough sleeping. As such it is a key enabler for a new preventative focused way of working, building on the success of the current countywide Trailblazer programme, as well as joint working between Housing Options and outreach teams at the temporary RSI hub.

Progress Update

10. The City Council was successful in its bid to the MHCLG, under the Rapid Rehousing Pathway fund, to support the project at Floyd's Row. The bid was led by the City council but made in partnership with the other Oxfordshire Councils. The grant awarded was for £275,000 capital funding and £483,700 revenue for spending in 2019/20. This was conditional on the Council delivering an interim Somewhere Safe to Stay Service in a temporary location prior to the service being delivered from Floyds Row, once the building is ready.
11. Public Health England has also awarded £100,000 of capital funding to the project, following a successful bid submission made in partnership with Oxfordshire County Council. This will fund a clinical treatment facility for drug and alcohol recovery, as part of the offer for clients visiting or staying in the building.
12. Since the City Executive Board meeting in April 2019, and the bid submission, the development of the building and services at Floyds Row has progressed at pace under existing budget approvals. Since then, the full extent of the works required to change the use of the building for this new purpose has been fully explored; costed and market tested. These costs have however, increased significantly from the initial estimates and the budget envelope originally envisaged, with both revenue and capital funding gaps currently identified.
13. The significant capital cost increases have mostly been driven from requirements to meet current building regulations due to the change of use of the building, and also the scale of the proposals. The capital cost of the project has developed as follows:

a) Initial Project Cost - April 2019 - c.£550k

This estimate was based on in-house costings and limited property survey work, with no developed proposals as to what the new service would require.

b) First works estimate - June 2019 - c.£750k

This was based on the Quantity Surveyor's report at initial plan stage. This was a desk-top exercise but did not at that stage include full inspection information, and assumptions were made on certain physical aspects of the building.

c) Overall Project Cost - August 2019 - c.£1.9m

This final costing now fully takes into account the detailed design, including all the requirements to meet current building regulations due to the change of use. It includes fees; strip-out works; construction; fit-out, a construction contingency for any additional costs associated with phasing and a 10% project contingency. The construction element includes items of considerable cost:

- Thermal efficiency – including secondary glazing, photo voltaic panels; etc
- Disabled access – to include ramps; toilets; showers; door changes/ automated door opening
- Fire safety – additional fire detection and compartmentation measures considerably over the current installation
- Additional toilets and showers due to the change of use and numbers of clients that may be accommodated overnight
- Removal of the suspended ceiling for design; operational; housing management; health and safety; and fire safety reasons
- Full replacement of the heating system (including hot water supply)
- Replacement of lighting and power cabling, etc
- Mechanical ventilation sufficient to meet the change of use, the old system having been identified as not providing sufficient air-change capacity
- New stud walls; glazing; and decoration to provide a 'psychologically-informed environment' that meets with design principles of this being a welcoming; functional; familiar; calm; visibly safe; versatile; and busy space

14. In order to progress with the project and meet ambitious deadlines for the opening of additional services this winter, some works (within the existing budget envelope) have already been progressed, Oxford Direct Services Ltd (ODS) having successfully tendered for this work.

15. Due to the increased costs, beyond the current capital envelope, the construction of the project has been split into phased elements:

- Initial strip out works (early July to end of August 2019) – already completed – c.£80k
- Phase 1 construction (early September to end November 2019) – c.£720k – To complete one wing of the building and all plant/ core services. Work is underway with a letter of intent issued by the City Council to ODS for up to £600k of works, with this as the budget limit to ensure works are within existing budget approval.

- Phase 2 construction (early December to end of February 2020) – c. £713k (plus some additional costs, estimated as up to £70k due to the splitting of the contract into two phases) – To complete the remaining two wings of the building
16. Further cost information is provided later in this report and in Appendix 3. The project requires additional spending approval of capital funding of c. £120k to complete phase 1, recognising that an additional sum of £250k has already been vires within capital budgets under officer delegations.
17. The timescales for completion of the building are now based on phase one completing (the first wing of the building) by December 2019, with snagging; fit-out; and staff training then expected to take place through December, for an opening at the start of January. The remaining wings are expected to be completed in Spring 2020, if funding is provided.

Service Delivery

18. Officers now have greater certainty over the expected delivery costs of this service. These have also risen substantially since estimates in early Spring 2019, in the main, in order to provide a sufficient staffing cohort that can operate the building safely and achieve the desired outcomes for clients that the Council requires, not least in terms of rapid move-on, and to operate this in a shift pattern that allows for the 24/7 operation of the building, and full assessment and engagement processes, from breakfast to late night, on every day of the week.
19. Similar services delivered by St Mungo's in London have seen promising outcomes, with 1643 clients entering 'No Second Night Out' (NSNO) hubs in London in 2018-19, and only 20% subsequently seen sleeping rough.
20. Currently, in Oxford, St Mungo's are commissioned to deliver an outreach service at a cost of approximately £350k per annum, with eight full-time staff. Additional pots of funding have been secured throughout the year and have already been used to commission additional services on top of this core contract, as follows:
- RSI funding - three additional outreach workers
 - Controlling Migration Fund - an EEA migrant focused worker
 - Rapid Rehousing Pathway funding - two additional "navigator" posts
21. St Mungo's will be commissioned to deliver the services at Floyds Row, including the Street Outreach team (although reducing the additional services, listed above, when these current funding streams end). The annual net cost of the full project to the Council is £1.2m (on average, over the four years). In addition to this, £120k will be contributed by St Mungo's each year, subject to the full project being progressed and a long-term lease being agreed.

22. The Council spend will be partly funded through the re-profiling of expenditure that currently goes towards the core outreach cost, and also funded partly by income from service charge (which contributes towards the cost of housing management staff). In year one, costs are covered as they will also be supplemented by some MHCLG grant funding. From year two however, there is a deficit.
23. A Memorandum of Understanding on a Strategic Partnership between St Mungo's and Oxford City Council has been drafted for agreement. One element of this is for a 30 year lease of Floyds Row to be agreed between the Council and St Mungo's. This is proposed to be charged at a peppercorn rent only. The lease will require St Mungo's to enter into a reasonable management agreement with another provider should that provider be commissioned to provide the service after April 2021.
24. Break clauses will also apply at review points in the lease to allow each party to re-assess the service requirement landscape, emerging needs, and other initiatives and financial circumstances. The current planning consent for Floyds Row, in terms of change of use, is currently only for five years also. The financial cost of seeking planning consent for change of use again, should that be required from year 6 on, is negligible.
25. The rental income assumptions within Council budgets for the lease rental return on the building, which is foregone, is proposed to be recompensed from the revenue funding for this project, and this assumption is included within the financial modelling .

Interim Service arrangements

26. Given the challenges in delivering Floyds Row, the building is not expected to be ready for service delivery until late December 2019. As the Council has committed to the MHCLG to deliver the Somewhere Safe to Stay (SStS) service by the 21st October 2019, and members have committed to provide a winter shelter from early winter, the Council has put in place arrangements for an interim service, to operate out of Simon House, managed by St Mungo's. This interim arrangement will have twelve spaces for an SStS service and between ten and fifteen spaces for a winter shelter.

Procurement Arrangements

27. In order to commission services up until March 2020, it is proposed that the current Street Outreach contract with St Mungo's is varied for this purpose. This contract is for £350k per annum and was granted on a 3 years+ the ability to extend for a further 2 years basis. Procurement rules allow for variation of up to 50% of the total contract value in certain circumstances. It is proposed that an additional c.£400k be added onto the contract, which is within this permitted level of flexibility and meets the further requirements of contract extension.
28. When the current contract with St Mungo's expires, it is proposed that to facilitate a trial period of the revised operation, a one year grant agreement be entered into with St Mungo's from 1st April 2020 to 31st March 2021, to fund the outreach and

Floyds Row services, before going to full tender. This allows for the rapid mobilisation of this service; time for the service to bed in and for lessons to be learnt; and to enable a full and evidenced specification to be written for tender. This trial period is important given this service is different to any delivered previously.

Options

29. Officers recommend that Floyds Row is fully developed (Option A) as this provides the best value for money, as well as the best outcomes for clients.

30. However there are options to partially complete the project:

- **Option A:** Full completion of project, delivery of 20 Staging Post beds, 20 StSS beds and 16 Winter Shelter beds in addition to assessment hub
- **Option B:** Completion of two wings [with construction ceasing part way through Phase 2]. Delivery of 20 StSS beds and 16 Winter Shelter beds in addition to assessment hub. No Staging Post
- **Option C:** Completion of one wing only with construction ceasing at the end of Phase 1]. Delivery of 12 StSS beds and 4 Winter Shelter beds in addition to assessment hub. No Staging Post

31. Table One summarises each option in financial terms (further detail in Appendix 3)

Table One: Financial Appraisal of Options:

		£ 000			Revenue		
		Capital	Y1	Y2	Y3	Y4	Y5
Option A: Three Wings	Total Costs	1892	1069	1500	1500	1500	1500
	Total Income	934	1069	903	726	726	726
	Total Gap	958	0	597	774	774	774
Option B: Two Wings	Total Costs	1496	1069	1280	1280	1280	1280
	Total Income	934	1069	655	478	478	478
	Total Gap	562	0	625	802	802	802
Option C: One Wing	Total Costs	1131	1069	1180	1180	1180	1180
	Total Income	934	1069	572	395	395	395
	Total Gap	197	0	608	785	785	785

32. Option A represents the best value for money in terms of revenue spend. Option B leaves a higher revenue gap whereas Option C leaves a slightly lower gap – but by providing significantly fewer services and accommodation spaces.

33. Appendix 3 also illustrates that Option A represents best value, by showing a cost per bed calculation. Option A is shown with the net cost representing a cost per bed space of £69,238. Option B represents £99,800 per bed space, rising to £197,488 in Option C, which has the least value for money.

34. The relative costs come about for the following reasons:

- In Option A, St Mungo's are providing £120k of additional funding to the model, on the basis of a long term partnership agreement.
- Also only in Option A, some of the rental costs of the building can be offset by rental income from the Staging Post. This is not possible in Options B or C.
- Option A allows for staffing efficiencies to be made when running multiple services from the same location.

35. It is possible that under Options B and C, alternative use of the unused wings could be made which could generate additional income. However significant work would be required to assess whether this is viable, and additional capital improvement works will be required. It is not expected that full market rent would be achieved.

36. Options B and C are not recommended due to poor expected client outcomes (no step change from current provision) and that the costs required do not therefore represent best value. In particular, Option C is not recommended as it leads to an overall net loss of beds (some sit-up beds will be lost and only 16 beds gained at Floyds Row).

37. If the recommended option to proceed with the full contract (Option A) is not proceeded with, then there are still cost impacts that need to be funded. If the Council was not to proceed with Option A these would be:

- a. The remainder of phase 1 costs (to bring one wing into use). As detailed in paragraph fifteen, this requires an additional £370k spending – £120k of which has yet to be approved by Council.
- b. Revenue costs (net of reduced income) to operate the service as set out above

Financial implications

38. The financial modelling for each options costs and funding, for capital budgets, with revenue modelling, are set out in Appendix 3. For the preferred option of 56 bed spaces the following financial implications are relevant :

Capital

- Increase the capital budget from £758k to £1,892k noting the need to borrow to finance this additional spend with a cost of capital of around 6% and noting existing grant funding of £375k.

Revenue

- Agreeing a net revenue budget for the operation of Floyds Row of approximately £774k per annum and noting

- the cost of operating the service to the Council, as provided by St Mungo's at £1.2 million per annum (net of funding from St Mungo's of £120k per annum)
- the reduction in the sit up and outreach service of £410k per annum
- that the rent on the building estimated at £180k per annum is to be covered within the project finances
- the increased revenue cost can be covered initially from grants in year 1 of operation in 2019-20 and from the Councils homelessness reserve until this is exhausted in 2022-23. An alternative funding stream will be required from thereon if Floyds Row is to remain open.

39. In light of the increased costs associated with project delivery, the Council is pursuing a number of potential routes for additional funding:

i) Capital

The identified funding gap of £958k is likely to reduce, if all of some of these deliver:

a) Further MHCLG grant

The Leader of the Council has written to Robert Jenrick MP, the new Secretary of State at MHCLG, outlining the full costs of the scheme and requesting further contribution. Officials have indicated that they expect that further funding will be made available for 2020/2021 ahead of consideration for longer term funding as part of the comprehensive spending review in 2021/2022. Nationally, a sum comprising of more than the national Rough Sleeper Initiative (RSI) and Rapid rehousing Pathway (RRP) funding streams has been provided for the 2020/2021 year, suggesting that a continuance of current programmes at current rates may be possible. £275k capital funding has been provided to date.

b) Fundraising

Fundraising from the Oxfordshire Community Foundation; St Mungo's and other community options are expected to deliver additional funding into the project. Two easily identified areas for this, at the lowest scale, would be to fund the fit-out (£50k) and landscaping work costs (£25k)

c) Contingencies

Provision for contingencies has been included for phase 1 and phase 2 of the construction project, however, as indicated by the risk register, extensive survey; opening-up; and strip-out work has already been undertaken to minimise this risk. Any contingency not spent reduces the capital requirement of the project

ii) Revenue

The identified funding gap of £785k pa, from year 3, is likely to reduce if all of some of these deliver:

a) Further MHCLG grant

As indicated above, further funding has already been requested from the MHCLG for Floyds Row. Nationally, the funding for rough sleeping and single

homelessness has been maintained (and slightly increased overall) for 20/21, and we expect to work with the MHCLG to co-produce a proposal this Autumn. £452k has already been awarded for Floyds Row/ interim service revenue costs in 19/20 from the RRP fund. The continuance of RSI funding is also possible in addition to this (c.£500k awarded for 19/20) and likely to be considered together.

b) Contributions from Countywide partners

The Chief Executive has asked the County Council and Oxfordshire District Councils to also consider each making a contribution to this project for at least two years, in recognition of the countywide impact of rough sleeping and the services that are to be developed at this site. The OCCG (Oxfordshire Clinical Commissioning Group) has also been asked to consider this request.

c) Fundraising Strategy

The Council is developing a fund raising strategy with St Mungo's and the Oxfordshire Community Foundation (OCF) to seek contributions from donors. St Mungo's have already agreed to fund three posts – equivalent to c.£120k per year. The Council has committed to developing a longer term strategic partnership with St Mungo's and for a leasing arrangement that would facilitate further fund raising by St Mungo's, with consideration of sharing some of the financial risk of these funding streams being insufficient to meet identified funding gaps.

d) Service transformation

Service transformation of the adult homeless pathway is also underway and savings from current commissioning are also expected to help fund the additional revenue costs of this project.

40. Without any of these sources of funding secured, the project will not be viable in the longer term. Little of this fundraising strategy can be relied on at this current moment. If no further funding is identified, the shortfall could be funded initially from reserves. There are additional pressures from the cost of homelessness which is already charged to the homelessness reserve besides of Floyds Row and in the absence of any savings or grant assuming Flexible Homeless Support Grant of £500k per annum, which has yet to be confirmed past this year then the reduction on the homelessness reserve would be exhausted by the end of year 3 (2021/22) of this project.

41. Given the time pressure to continue with the construction of the 56 bed accommodation to meet opening times in January 2020, and then Spring 2020, Members will need to consider initially how the increased costs can be accommodated pending the review of the Councils budget in December 2020. If funding from other sources (including MHCLG grants and contributions from other partners) were secured, this would allow the use of reserves to be re-profiled and spread over a longer period of time. Any remaining funding gap will need to be met through further transformation of the Countywide adult homeless pathway or through identifying funding from other sources.

42. Given the time pressure to continue with the construction of the 56 bed accommodation to meet opening times in January 2020, then Spring 2020, Members will need to consider initially how the increased costs can be accommodated pending the review of the Councils budget in December 2020.

Legal issues

43. The capital and service contract arrangements and route to commissioning the full service are considered to comply with The Public Contracts Regulations 2015. In particular the contract extension with St Mungo's meets the requirements of Regulation 72 (1)(c) as all of the following conditions are fulfilled:

- (i) the need for modification to the contract has been brought about by circumstances which a diligent contracting authority could not have foreseen;
- (ii) the modification does not alter the overall nature of the contract;
- (iii) any increase in price does not exceed 50% of the value of the original contract

44. The Council has a duty to try to prevent and relieve homelessness under the Housing Act 1996, as amended and its responsibilities and duties under the Homelessness Reduction Act 2017 to prevent and relieve homelessness for all eligible applicants threatened with homelessness, regardless of priority need.. The Council also has general powers under the Localism Act 2011 that it may use to provide additional community well-being services.

Level of risk

45. A Risk Register is provided at Appendix 1.

Equalities impact

46. An Equalities Impact Assessment is provided at Appendix 2. There are no adverse impacts in undertaking this activity, with the potential to improve provision for persons in housing need under all the options considered, with the greatest positive impact, for more people, resulting from Option A.

Conclusion

47. That the Council should look to use this rare opportunity to deliver a new and exceptional service at the Floyds Row location that will deliver a new range of early service interventions to persons sleeping rough and single people at risk of homelessness, and provide a step-change in transforming provision in Oxford and Oxfordshire.

48. That officers will continue to develop all the initiatives identified above to close the funding gaps identified through alternative funding streams.

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Background Papers:	None

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