

Lease of Cape House for General Needs Temporary Accommodation**Key Decision No. FCRS048****CABINET MEETING DATE
(2021/22)**

28 February 2022

CLASSIFICATION:**Open with exempt appendices 1, 2 & 3**

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 appendices 1,2 & 3 are exempt because they contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

If exempt, the reason will be listed in the main body of this report.**WARD(S) AFFECTED**

Dalston

CABINET MEMBER

Mayor Glanville

Supported by:

Cllr Sade Etti, Mayoral Advisor for Homelessness, housing needs and rough sleeping

KEY DECISION - Yes**REASON - Spending/or saving****GROUP DIRECTOR**

Ian Williams, Group Director of Finance and Corporate Resources.

1. CABINET MEMBER'S INTRODUCTION

- 1.1. Hackney is in the midst of a housing crisis; The paucity of affordable accommodation within the borough is having a significant impact on the wellbeing of Hackney residents, with still over 3,000 households in temporary accommodation and the 2011 census identifying nearly 33% of all households in Hackney as living in overcrowded accommodation.
- 1.2. The Council is working diligently to tackle this crisis. We are building hundreds of new homes at dozens of sites across the borough through our in-house direct delivery model, with more than half for council social rent, shared ownership or living rent. But building homes is challenging. It costs around £300,000 to build a new home in Hackney, and although our starting point is to build as many homes for social rent as we can, we can't build as many as we'd like to without more direct grant funding.
- 1.3. This crisis, the failure to give Councils the powers they need to regulate the private rented sector and the lack of affordable options has directly led to a significant increase in residents presenting to the Council as homeless. This has required the Council to source additional units of temporary accommodation to house those for whom it has a statutory duty to accommodate. This provision represents a significant cost to the Council.
- 1.4. The Council has an opportunity to add to the supply of much needed temporary accommodation for single people and improve existing stock at a cost effective rate whilst meeting the longer term needs of homeless people.
- 1.5. Cape House is currently a privately owned hostel that provides 117 units of single accommodation. Although this property is used by the Council as emergency temporary accommodation the property consists of shared rooms which is not ideal and the property is in need of refurbishment. The owners have submitted plans to refurbish the property and the Council have been offered an opportunity to lease this accommodation when the refurbishment is complete. While this may lead to a net reduction in the number of units, the improved quality, accessibility and the Council having exclusive access to these units, will represent progress and a better set of options for the Council and those in housing need.
- 1.6. The accommodation will be greatly improved by a substantial investment by the owners. The reconfigured units will be self-contained with their own en-suites and kitchenettes and the property's environmental performance upgraded to achieve EPC ratings of B. The works will also result in 2 much needed units for disabled residents.

- 1.7. These leasing agreements will provide refurbished temporary accommodation, driving up standards of this type of accommodation in Dalston and this part of the borough. Further helping to alleviate some of the pressures on the Council in the immediate term, is part of our wider and sustained work to improve the quality and range of temporary accommodation in the borough, all while we continue work to increase the supply of permanent genuinely affordable homes in Hackney. This proposal is good for the Council, the local community and most importantly some of the most vulnerable residents in the borough who may end up needing this accommodation.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1. The lack of affordable accommodation in Hackney is having a profound impact on the borough and its residents. The borough has seen some of the biggest house price increases in the country, meaning that buying, or even privately renting, a home is out of reach for most low and even middle income families.
- 2.2. The levels of homelessness are also increasing rapidly, with the number of approaches from singles in October 2021/22 up by 19% when compared to the same period in 2018-19.. Part VII of the Housing Act 1996 places on the Council a statutory duty to provide temporary accommodation after an application is accepted until suitable secure accommodation becomes available. Consequently, expenditure on temporary accommodation is rising, from £7.38m in 2017/18, £9.37m in 2018/19, £10.13m in 2019/20 and £12.7m in 2020/21 inclusive of running costs.
- 2.3. It is a constant struggle to find suitable accommodation to place these households. Hackney has the largest temporary accommodation hostel stock in London but it is inadequate to meet the level of demand. This has forced us to make difficult decisions; we know that local support networks are very important to residents, especially at times of stress, and we try to place them within Hackney. However, increasingly it is necessary to offer accommodation outside the borough. In September 2014 we had 293 households placed outside the borough; as of October 2021 it was 1118.
- 2.4. For the Council, increasing the supply of suitable temporary accommodation and the supply of affordable housing in the borough is a priority requiring creative and innovative steps. We are in a position to acquire a lease on this premises refurbished to our specifications to support the provision of temporary accommodation within the borough to link in with existing support networks.
- 2.5. The proposed lease terms are in keeping with other hostel accommodation lease acquisitions and are expected to be revenue neutral in the medium to long term. They provide a saving when compared with nightly let or spot purchased accommodation alternatives.

3. RECOMMENDATION(S)

Cabinet is recommended to:

- 3.1. To give delegated authority to the Director of Strategic Property Services, in consultation with the Group Director of Finance and Corporate Resources, to agree the terms of the agreement for lease and lease.**
- 3.2. To give delegated authority to the Strategic Director Customer and Workplace, in consultation with the Group Director of Finance and Corporate Resources, to agree the terms of the management agreement.**
- 3.3. To pay the stamp duty (SDLT) due for the lease.**
- 3.4. Authorise the Director of Legal and Governance Services to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report and to enter into any other ancillary legal documentation as required.**

4. REASONS FOR DECISION

- 4.1. As outlined within the report, there is a significant need to expand the stock of social housing in Hackney, and increase the provision of temporary accommodation.**
- 4.2. As set out within Part 7 of the Housing Act 1996, the Council has a statutory duty to provide interim temporary accommodation to homeless households to whom it has a duty to provide permanent housing.**
- 4.3. Currently, meeting this statutory duty requires using expensive nightly let and/or spot purchased accommodation.**
- 4.4. The acquisition of the lease provides a hostel refurbished to meet the requirements of homeless residents.**

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 5.1 The Benefits and Housing Needs Service is facing a shortage in the supply of Council owned and / or leased accommodation for use as emergency / temporary accommodation, especially within the borough. This has resulted in the increased use of expensive nightly paid annex accommodation, plus the increasing use of out of borough accommodation.**

- 5.2 The Council could continue with the current short term agreement (which has carried on for years), but still represent a supply risk, on what is some of the poorest hostel accommodation in the borough. But this would not improve the accommodation which in turn negates some of the risk factors associated with shared amenity accommodation.

6. BACKGROUND

- 6.1. The Benefits and Housing Needs Service Temporary Accommodation portfolio has an ongoing requirement for accommodation for single people, the service having historically concentrated on the provision of family hostel accommodation. Today 70% of all homeless approaches are from single people. April - October 2021 we had 1,493 homeless approaches from singles. 39% of applicants declared support needs of which 15% declared multiple needs - mental health 13%; physical ill health 10%; drug dependency needs 5%, domestic abuse 3%.
- 6.2. Cape House is a converted former police station in a poor condition with shared facilities, currently providing 117 units. The building need's comprehensive refurbishment and modernisation. The accommodation is currently used by the Service on a 'nightly let' basis. It does not use all the units. Although the hostel has been used by the Council for a number of years on this basis there is still a risk that the use of the hostel could be lost to the Council.
- 6.3. The Benefit and Housing Needs Service and Strategic Property Services have therefore approached the owners of Cape House proposing a refurbishment and leasing scheme to deliver single person units at Cape House. The property is in two blocks and it is proposed that there is a two phase programme of refurbishment and reconfiguration of the two blocks to provide circa 70 single units including 2 disabled units (There are currently no disabled units) subject to final design approval. These units would be used exclusively by the Council.
- 6.4. A Heads of Terms has been prepared by Strategic Property Services and these are agreed with the owners of Cape House. The terms proposed are in keeping with recent lease agreements on hostel accommodation. A copy of the Heads of Terms is attached in Exempt Appendix 1.
- 6.5. The Benefits and Housing Needs finance team have reviewed the Heads of Terms and have modelled the expected costs of the lease. Their analysis demonstrates that the lease should be cost neutral in the medium to long term.

- 6.6 The landlord currently manages Cape House and is keen to continue to do so. The Service is supportive of the landlord continuing to provide the management service to this property during the term of the lease. The Heads of Terms prepared by Strategic Property Services and Benefits and Housing Needs and agreed with the landlord is attached in Exempt Appendix 2. The terms are in keeping with other landlord management agreements entered into with landlords.
- 6.7 The combination of the lease agreement and the management agreement means that there is a net cost to the Council over the term of the agreements. The Benefits and Housing Needs finance team have modelled the expected combined costs and this is included in Exempt Appendix 3.
- 6.8 The Benefits and Housing Needs Service supports the expected net cost to its budget of acquiring these 70 units of self contained secure accommodation for the medium to long term for the following reasons;
- There is no such secure accommodation stock within Housing Needs portfolio in managing and supporting this client group which has medium or multiple support needs.
 - This has been the key reason for continued use of Cape House given historic complaints of poor standards.
 - By leasing this property and entering the management agreement we can empower the provider to ensure not only is the accommodation greatly improved but also that proper standards are maintained.
 - The supplier is experienced in managing the client group and the price negotiated for the management contract reflects the support needs of the client group.
 - There are very limited opportunities to secure 70 such units in Hackney for this client group.
 - This acquisition ensures the client group stays within support networks, has local connections and is easily accessible by support services.
 - The upgrade to self-contained will enable the Housing Needs Service to much more effectively manage the risks associated with placement decisions for this cohort.
 - Although this is a reduction in units for the supplier it will be an increase in units for the Housing Needs Service.

Policy Context

- 6.9 Hackney is in the midst of a severe housing crisis and for many residents this means they are unable to access accommodation within the borough that is affordable. In seeking a resolution, these households are approaching the Council to try to access social housing, but the level of demand far exceeds that which we can supply.

- 6.10 As a consequence these residents are often living in insecure, unaffordable and/or overcrowded housing. Living in unsuitable accommodation has a detrimental effect on a household's health and wellbeing as well as impacting negatively on future life chances leading to poverty, inequality and hardship.
- 6.11 There are over 9,000 households waiting for a home on the Council's housing register. By contrast the supply of social housing being made available to let is reducing considerably; only 409 lets were made available between April 2019 and March 2020, compared to 1,132 2018/19 and 1,229 in 2016/17.
- 6.12 The levels of homelessness are also increasing rapidly, with the number of approaches from 2018/19 to 2021/22 up by 19%. Part VII of the Housing Act 1996 places on the Council a statutory duty to provide temporary accommodation after an application is accepted until suitable secure accommodation becomes available.
- 6.13 Currently, the Council has responsibility for housing 3107 households in Temporary Accommodation. In order to be in a position to discharge our duty to these households, we are required to make a reasonable offer of secure, suitable and affordable accommodation. In the current financial climate, the options for placement either within the reducing stock of social housing or into affordable privately rented accommodation are limited.
- 6.14 The proposals outlined in this report if pursued provide a medium to long term solution to the 'everyone in' initiative, response to the first lock down.
- 6.15 This proposal also increases the Council's supply of well specified hostel accommodation for single persons in keeping with other hostel lease acquisitions as supported by Cabinet.

Equality Impact Assessment

- 6.17 There is no foreseeable adverse equalities impact arising from the leasing of the property. By acquiring these properties and adding them to our hostel portfolio we increase the housing opportunities that the Council can provide and consequently the number of people who could benefit.

Sustainability

- 6.18 There is a requirement for the refurbished Hostel to achieve a EPC B limiting carbon footprint of the building and reducing its in use costs.
- 6.19 The limited demolition and construction work as part of the refurbishment will have a potentially adverse impact on the local environment. Construction brings with it a set of environmental implications although in this case this will be limited as the majority of the works are to be internal.

Consultations

- 6.20 No formal consultations are required as part of this report.
- 6.21 The consultations have taken place with and between the following Council Departments: Customer Services (including Housing Needs), Legal Services, Financial Services and Strategic Property Services.
- 6.22 External consultations have taken place with the landlord.
- 6.23 Meetings have taken place with the various people present, where their concerns and questions have been raised, discussed and the proposal either accepted or modified to cover the concerns.
- 6.24 As Cape House is split into two buildings a full decant is not required. All residents in building B will have to be issued with an eviction notice. Residents that are currently placed by Hackney Benefits & Housing Needs Service are guaranteed a move into alternative accommodation, which will be vacant rooms as they arise in building A, vacant rooms in Ridley Villas or alternatively sourced accommodation. Residents who aren't placed by Hackney Benefits & Housing Needs department will be offered tailored Housing Advice and support to source alternative accommodation from our Housing Advice Team in line with the Council's Homelessness Prevention statutory duties. All residents will be advised of their options prior to eviction notices being issued.

Risk Assessment

- 6.25 The inherent risks in acquiring leasehold properties has been limited by the terms agreed. With the properties future repair needs being met by the landlord and with provision for the Council to undertake these works in default whilst recovering its costs.
- 6.26 The quality of the refurbishment works undertaken by the developer represent a potential risk to the residents. The Councils specification is to be agreed with the developer and the agreement for entering into the leases will require the Council agreeing to practical completion of the developers works to a satisfactory standard.
- 6.27 When completed the operational management of the Hostels is a potential risk to the residents and the Council. The Benefits and Housing Needs team is very experienced in managing temporary accommodation hostels.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 7.1 The proposal is to work with the owners of Cape House on a 2 phase programme of refurbishment and reconfiguration of the property (comprising two linked blocks) to provide circa 70 single units in the hostel including 2

disabled units, subject to final design approval. The property currently provides 117 units of accommodation. The proposed scheme resulting in circa 70 units, may result in a lower number of units, but they will be of a higher standard and more in line with other new provisions, as well as delivering the requirement for self contained units for singles.

- 7.2 The proposal includes a management agreement which means there is a net direct cost to the council (outlined in appendix 3). However, as outlined in section 6 of this report, the cohort of individuals expected to be housed in Cape House often present with complex needs. The provision of secure single accommodation units drives efficiencies from lower Hackney management costs, and lower risk accommodation than some alternatives. It will also be the case that some individuals moving to Cape House will be transferring from more expensive in-borough and out-of-borough accommodation. The management agreement being put in place at Cape House is essential in ensuring the support needs of the client group are met and risks associated with placement decisions for this cohort are effectively managed. The net costs are outlined in Appendix 3 and will be managed within existing Housing Needs budgets.

8. VAT Implications on Land & Property Transactions

- 8.1. The property is elected for VAT by the developer. The Council will be able to recover the VAT charged on the rent.

9. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES

- 9.1. Under Part 7 of the Housing Act 1996 and the Homelessness Reduction Act 2017, the primary pieces of homelessness legislation, all local authorities are duty bound to take action to either prevent homelessness or assist people who are either threatened with or actually homeless.
- 9.2. As noted in this report the dearth of temporary accommodation in the Borough is chronic and the recommendations outline a viable way forward for the Council to carry out its statutory duty whilst providing urgently needed units.
- 9.3. In tandem with the statutory duty to supply accommodation the Council is empowered to acquire land under both the Localism Act and the Local Government Act of 1972.
- 9.4. S120 of the Local Government Act 1972 enables the Council to acquire by agreement any land for the purposes of discharging any of the Council's functions or for the benefit, improvement or development of its area. The Council may exercise this power whether or not the land purchased by agreement is immediately required for the intended purpose and the Council may use the purchased land in the interim for the purpose of discharging any of its other functions.

- 9.5. In the event the Council purchases properties outside its district, this is covered by section 14 of the Housing Act 1985 which permits the Council to exercise powers conferred by section 9 to 13 (Housing Act 1985) outside its district.
- 9.6. Section 9(1) of the Housing Act 1985 permits the Council to provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them or acquiring houses.

APPENDICES

EXEMPT

Appendix 1 - Heads of Terms - Exempt - Category 3

Appendix 2 - Management Agreement Heads of Terms - Exempt - Category 3

Appendix 3 - Financial Analysis of Terms - Exempt - Category 3

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

Description of document - None

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