

LEASE OF METROPOLITAN AND ST PETER WAY HOSTELS FOR GENERAL NEEDS**Key Decision No. NH S062**

CABINET MEETING DATE (2021/22) 25 April 2022	CLASSIFICATION: Open with exempt appendices 1 & 2 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.
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WARD(S) AFFECTED

Dalston

CABINET MEMBER

Mayor Philip 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 more than £300,000 to build a new council 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 and it is getting ever harder to do given the increase in construction costs we face.
- 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 retain 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. The Metropolitan and St Peters are two privately owned hostels on a single site that provide a total of 163 units of self contained single accommodation. The Metropolitan, a converted hospital built in 1886, is in need of refurbishment and St Peters, purpose built in 2014, is in a satisfactory condition. The Council has negotiated a rolling programme of works upgrading The Metropolitan by the Landlord, over the first 24 months of the new proposed lease. Providing those in housing need with improved temporary accommodation within the borough without the disruptive loss of needed units if a closure and refurbishment approach was taken.
- 1.6. The Metropolitan accommodation will be greatly improved by the owner's investment in modernising the units with newly refitted ensuites and kitchenettes and the property's environmental performance upgraded to achieve an EPC ratings of C. The works should also result in much needed units for disabled residents.

1.7. These leasing agreements will provide refurbished temporary accommodation, driving up standards of this type of accomodation in De Beauvoir 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 accomodation 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 already face homelessness or may in the future 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 January 2022 it was 1100.
- 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 take a further lease on these hostels 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 for a shorter term than other recent hostel accommodation lease acquisitions, but overall the net outcomes are comparable and they provide a saving when compared with nightly let or spot purchased accommodation alternatives.

3. RECOMMENDATION(S)

Cabinet is recommended to:

3.1 To enter into a lease of The Metropolitan and St Peters

3.2 To delegate authority to the Group Director of Finance and Corporate Resources to settle all the commercial terms of the transaction.

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 secures the continued provision of these hostels improved through a programme of works 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 not renew the lease and potentially lose the accommodation, resulting in an urgent need to find alternatives which are likely to be largely out of the borough and more expensive.

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 2021 - January 2022 we had 2059 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. The Metropolitan is a converted former Hospital with 110 self contained units in need of refurbishment and updating. St Peters, purpose built in 2014 is a hostel of 53 units. The accommodation is currently used by the Service on two identical leases that expire on 29 March 2022. The Council will remain in occupation under a short term arrangement until the new lease (on both hostels) can be completed. The current leases are with Finefair Limited a management company with only a leasehold interest in the properties. The Benefits and Housing Needs Service has had concerns around their performance in managing the hostels.
- 6.3. The Benefit and Housing Needs Service and Strategic Property Services have therefore negotiated with the freehold owners of The Metropolitan and St Peters the refurbishment and leasing scheme to deliver improvements to the units in The Metropolitan, and direct management by the building owners. For The Metropolitan there will be a programme of 6 units being included in the agreed works programme at a time. This will involve the decanting of six units, the works being undertaken to an agreed standard, residents then being moved back in and the subsequent six empty units being added to the work programme. All units have to be completed within two years and the rent is reduced accordingly during the works. In addition the works programme is expected to create a number of disabled units (there are currently no disabled units) subject to final design approval. All units will be used exclusively by the Council.
- 6.4. A Heads of Terms has been prepared by Strategic Property Services and these are largely agreed with the owners of The Metropolitan and St Peters. 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.
- 6.6. The landlord currently directly manages other hostels (but not for the Council) and is keen to do so at the Metropolitan and St Peters. The Service is supportive of the landlord providing the management service to this property during the term of the lease. The Heads of Terms agreed with the landlord include the Council's requirements regarding the management of the hostels in keeping with other landlord hostel management agreements.

- 6.7 The terms of the lease on a fully inclusive basis does result in a net cost to the Council over the term of the agreement. The Benefits and Housing Needs finance team have modelled the expected costs and this is included in Exempt Appendix 2.
- 6.8 The Benefits and Housing Needs Service supports the expected net cost to its budget of taking a further lease on these 163 units of self contained secure accommodation for the medium term for the following reasons;
- By leasing this property on the terms agreed we can empower the provider to ensure not only is the accommodation at the Metropolitan greatly improved but also that proper standards are maintained.
 - There are very limited opportunities to secure 163 units in Hackney for temporary accommodation.
 - This lease ensures the client group stays within support networks, has local connections and is easily accessible by support services.
 - The upgrade to these self-contained units will improve the temporary accommodation experience for residents.

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 3004 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 hostels. By acquiring a new lease on these properties and retaining them in our hostel portfolio we maintain the housing opportunities that the Council can provide and consequently the number of people who could benefit.

Sustainability

- 6.18 St Peters purpose built as a hostel has a EPC B. There is a requirement for The Metropolitan to achieve a EPC C limiting carbon footprint of the buildings 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 the hostel works will be on rolling programmes of 6 units at a time a full decant is not required. Only 6 residents in The Metropolitan hostel will have to be issued with an eviction notice. But this will only be to facilitate their relocation into the newly refurbished units once completed, once the initial 6 units are vacated. All current residents are guaranteed a move into alternative

accommodation. 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. The terms are also fully inclusive of all expenses, including hostel staff and utilities, considerably derisking the agreement from inflationary pressures over the next 5 years.
- 6.26 The quality of the refurbishment works undertaken by the developer represent a potential risk to the residents. The Council's specification is to be agreed with the developer and rent will only be payable on the refurbished units when practical completion of the developer's works to a satisfactory standard has been agreed with the Council.
- 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 hostel providers.

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

- 7.1 The current lease with FineFair Limited on both The Metropolitan and St Peters is expiring on the 31st March 2022. As outlined in Section 6 of this report, there is an ongoing need for singles accommodation, and across the two hostels 163 units are available.
- 7.2 The proposal is to enter into a five year lease agreement with the freeholders to manage both hostels. The all inclusive agreement, as outlined in Section 6.25 of this report, means that the council is de-risking the provision of these units from a cost perspective. Additionally, the provision of secure single accommodation units drives efficiencies from lower Hackney management costs, and is lower costing accommodation than some of the alternatives (e.g. Annex's). There is a net cost to the council (outlined in Appendix 2) and this can be managed within existing Housing Needs Budgets.
- 7.3 The proposal also includes a rolling programme of refurbishment works on the 110 units at Metropolitan subject to final specification approval. The letting units will be of higher modernised standard and more in line with other new provisions in the borough. The cost of the refurbishments will be incurred by the freeholder.

8. VAT Implications on Land & Property Transactions

- 8.1. The properties are elected for VAT by the Landlord. The Council will be able to recover the VAT charged on the rent.

9. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES

- 9.1. The recommendation in paragraph 3.1 of this Report is a key decision under Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 as it is an executive decision, which is likely (a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority. Key decisions can be made by Cabinet under Article 13.6 of the Constitution.
- 9.2. 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.
- 9.3. 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.
- 9.4. 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.
- 9.5. 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.
- 9.6. 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.
- 9.7. 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 - 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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