

AGENDA ITEM 10

TITLE OF REPORT - Lease of 5 Hostels For Rough Sleeper Move On And General Needs Temporary Accommodation	
Key Decision No - FCR R56	
CABINET MEETING DATE (2020/21) 17 March 2021	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 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 Brownswood	
CABINET MEMBER Mayor Glanville Cllr Sade Etti - Mayoral Adviser - Homelessness, Housing Needs and Rough Sleeping	
KEY DECISION Yes	
REASON Spending/or saving	

GROUP DIRECTOR

Ian Williams - Group Director of Finance and Resources.
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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 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 social rent, shared ownership or living rent. But building homes is hard. 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 and the lack of affordable options has directly led to a significant increase in families 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 brought in under the Government's 'everybody in' response to the first Covid 19 lockdown in March 2020.
- 1.5. The accommodation will be greatly improved by a substantial investment by the owners. The majority of the reconfigured units will be self contained with their own en-suites and Kitchenettes and the properties environmental performance upgraded to achieve EPC ratings of B. The works will also result in an additional 6/7 units for disabled residents.
- 1.6. These leasing agreements will provide refurbished accommodation to those of the 'everyone in' cohort whose needs mean that they are not yet suitable for move on pathways, as well as general temporary accommodation. Further helping to alleviate some of the pressures on the Council in the immediate term while we continue work to increase the supply of affordable accommodation in Hackney.

- 1.7. Hackney have additionally successfully bid for funding from the Government's Rough Sleeper Accommodation Programme to provide personal support alongside accommodation for medium and high needs rough sleepers accommodated via everyone in, and these leasing agreements would secure the necessary accommodation from which this support can be delivered

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 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 in 2018-19 up by 39% on the previous year. 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 and £10.13m in 2019/20, 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 families, especially at times of stress, and we try to place within Hackney. However, increasingly it is necessary to offer accommodation outside the borough. In Sept 2014 we had 293 households placed outside the borough; as of Sept 2020 it was 1342.
- 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 leases on these five Hostels refurbished to our specifications to support the government's everybody in initiative cohort's move on from a temporary hotel initial response as well as general temporary accommodation provision.
- 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. **Give delegated authority to the Group Director of Finance and Corporate Resources to sign the Memorandum of Understanding with the Ministry of Housing, Communities and Local Government**

to access the Rough Sleeping Accommodation Programme Capital and Support Funding stream.

- 3.2. Give delegated authority to the Director of Strategic Property Services, in consultation with the Group Director of Finance and Corporate Resources, to negotiate final terms, of the lease and the expenditure of the Ministry of Housing, Communities and Local Government; Rough Sleeping Initiative award of £500,000 of capital to support the delivery of the project**
- 3.3. 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, particularly for 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 leases provides a hostel refurbished to meet the requirements of formerly homeless residents with high care needs. Support will be commissioned by Adults and Health to support these vulnerable residents in a Temporary Accommodation setting. As part of the Rough Sleeper Accommodation Programme, funding of £1,719,120 is to be provided for the costs of support to 2025.

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 more expensive nightly paid annex accommodation, plus the increasing use of out of borough accommodation.
- 5.2. The proposed leasing of the five hostels gives access to per unit a cheaper alternative within the Borough and hence based on the lease

terms negotiated Benefits and Housing Needs considers it has no alternative options.

6. BACKGROUND

- 6.1. There are significant demands for affordable housing in the borough and while the Council continues to strive to increase supply, including additional social properties, demand vastly exceeds what we can deliver; the level of churn in social housing is also decreasing and fewer properties are becoming available.
- 6.2. As a consequence of the Government call to protect London's rough sleepers during the first lock down and those at risk of rough sleeping on the streets, Hackney, in line with most other local authorities, undertook a swift mass procurement exercise of commercial hotel accommodation and the provision of food and specialist support.
- 6.3. Our initial response combined the needs of rough sleepers, those at risk of rough sleeping, single homeless approaches, hospital discharges and those with no recourse to public funds, and a total of 11 different hotels were utilised, mostly within the borough and a small amount of self contained units for those that were suspected symptomatic.
- 6.4. Initially 219 residents were accommodated in this way, today this has been reduced by the move on work of the Benefits and Housing Needs Service to circa 76 which are accommodated in one hotel (The Pembury) of which some 44 have no recourse to public funds and will be advised on their status by Praxis (Migrants Rights Charity) with funding secured by the Council. Leaving circa 32 residents that will need to be accommodated by the time the existing service agreement with the hotel expires in June 2021. The medium term strategy for this remaining cohort who can not be 'easily' moved on to other alternatives such as private rental sector accommodation is to relocate them to 'Council' hostels.
- 6.5. Due to the work of the Benefits and Housing Needs Service supported by Strategic Property Services a refurbished 93 unit hostel was delivered last summer and a further 28 units are due to be delivered in the first quarter of 2021. Although demand far outstrips supply (covered by alternatives such as overnight accommodation) the new capacity has given the department some flexibility to deliver the additional accommodation working with a private sector provider.
- 6.6. The Benefits and Housing Needs Service Temporary Accommodation portfolio currently doesn't have any hostels or schemes that are only for single people, the service having historically concentrated on the provision of family hostel accommodation. Today 76% of all homeless approaches are from single

people. April - November 2020 we had 1,948 homeless approaches from singles. 584 applicants declared support needs of which 58% declared multiple needs - mental health 29%; physical ill health 26%; drug dependency needs 11%, domestic abuse 7%.

6.7. The Benefits and Housing Needs Service has worked with the Smarts Group for a number of years. They provide over 3 hostels, 77 units of nightly accommodation currently managed by them, which the Council uses exclusively. Further they are the developer delivering a new build 28 unit hostel in this quarter upon which the Council has taken a lease.

6.8. In addition to the three existing hostels Smarts Group own two hotels in the locality. The portfolio of five properties is as follows;

6.8.1. Hotels

6.8.1.1. Finsbury Hotel, 153 Queens Drive, N4 2AR

6.8.1.2. Lanark Hotel, 348 Seven Sisters Road, N4 2PG

6.8.2. Existing Hostels

6.8.2.1. Brownswood Hotel, 111 Queens Drive, N4 2BE

6.8.2.2. 2a Woodberry Grove, N4 1SN

6.8.2.3. Eric Hotel and Annex, 326-330 Green Lanes, N4 1BX

6.9. The Benefit and Housing Needs Service and Strategic Property Services have therefore approached the Smarts Group proposing a refurbishment and leasing scheme to deliver single person units across all 5 properties.

6.10. The existing hostels are in a poor condition. Although in recent years some improvements have taken place the buildings really need comprehensive refurbishment. Previously this has been problematic to deliver as such a scheme of works would require the buildings to be emptied resulting in lost income to the Landlord and a loss of accommodation to the service.

6.11. The two additional hotels are also in a poor condition and require comprehensive refurbishment.

6.12. All five properties are largely configured as single/studio rooms although there are some larger family accommodation. Bathrooms and Kitchens are largely shared. This mixture of accommodation types does produce some friction between the occupiers. As the requirement is for single homeless accommodation this portfolio lends itself well for conversion/ reconfiguration to meet this need.

6.13. Strategic Property Services working with Benefits and Housing Needs has approached The Smarts Group proposing a rolling programme of refurbishment and reconfiguration of all 5 properties to provide circa 83 single

units including 6/7 disabled units (There are currently no disabled units) subject to final design approval.

- 6.14. A successful bid has been made to the Ministry of Housing, Communities and Local Government; Next Steps Accommodation Programme <https://www.gov.uk/government/publications/next-steps-accommodation-programme-guidance-and-proposal-templates> awarding £500,000 capital to support the delivery of the project.
- 6.15. A Heads of Terms has been prepared by Strategic Property Services and these are largely agreed with the Smarts Group. 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.
- 6.16. The Benefits and Housing Needs finance team have reviewed the Heads of Terms and have modelled the expected costs of running the hostels and the Heads of Terms. Their analysis demonstrates that the leases should be cost neutral in the medium to long term. A copy of their analysis is attached in Exempt Appendix 2.
- 6.17. The Smarts Group emptied the Finsbury Hotel by January 2021 and appointed contractors and proceeded at risk. They will undertake a rolling programme of refurbishments decanting some of the existing residents into the wider Benefits and Housing Needs portfolio and moving in the 'everyone in' street homeless from the Pembury Hotel.
- 6.18. The refurbished Finsbury Hotel will provide 10 high need rooms with support commissioned by Adults and Community Health. It is these residents that it is hardest to relocate from The Pembury Hotel where support for very high needs is currently being given. The remaining medium and low needs groups can be catered for in the general portfolio whilst the remaining properties are emptied refurbished and upgraded before being returned to the Benefits and Housing Needs hostel portfolio for allocation to the single homeless.

6.19. Policy Context

- 6.20. 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.
- 6.21. As a consequence these families 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.
- 6.22. There are over 13,000 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 640 lets were made available

between April 2018 and March 2019, compared to 1,132 the previous year and 1,229 in 2016/17.

- 6.23. The levels of homelessness are also increasing rapidly, with the number of approaches in 2018-19 up by 39% on the previous year. 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.
- 6.24. Currently, the Council has responsibility for housing 3300 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.
- 6.25. 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.
- 6.26. 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.

6.27. Equality Impact Assessment

- 6.28. There is no foreseeable adverse equalities impact arising from the leasing of these properties from The Smarts Group. 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.

6.29. Sustainability

- 6.30. None of the recommendations in this report would have a direct impact on the physical or social environment.

6.31. Consultations

- 6.32. No formal consultations are required as part of this report.
- 6.33. The Council established a cross departmental working group to ensure a coordinated response is in place that encompasses accommodation, support and security and to ensure that those rough sleepers housed under Covid 19 emergency conditions are provided with a move on pathway and not returned to the streets. The working group rough sleeper move on (RSMO) includes representatives from the Benefits and Housing Needs Service, Strategic Property Services, Adult Social Care and commissioning, Public Health, Community Partnerships and Finance. All representatives have been kept advised of the lease proposal with the Smarts Group.

6.34. Risk Assessment

- 6.35. The inherent risks in acquiring leasehold properties has been limited by the terms agreed. With the majority of 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. This in turn will limit the Councils dilapidations liability at lease expiry.
- 6.36. 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.
- 6.37. 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. Since the start of the coronavirus pandemic the council has been housing a number of rough sleepers in hotels under the governments 'everyone in' response. Many of the 300 rough sleepers taken in by Hackney under this response have been moved on to more settled accommodation, but there remain a number who have medium to high support needs and require accommodation with that additional support.
- 7.2. In order to address this the council applied for government funding to meet the costs of the accommodation and personal support and were successful in being provisionally offered a grant of £500k Capital and up to £1.7m to cover the ongoing revenue support costs for 4 years. The government funding was offered with the objective of providing the accommodation and support required to minimise the possibility of this cohort returning to the streets.
- 7.3. This report requests approval to sign the Memorandum of Understanding to access this funding stream, and to negotiate the final terms of the proposed lease and expenditure of the funding in order to deliver the project within the terms of the funding.
- 7.4. The proposal is to work with the Smarts group proposing a rolling programme of refurbishment and reconfiguration of 5 properties to provide circa 83 single units in hostels including 6 or 7 disabled units, subject to final design approval. The Heads of Terms agreement (appendix 1) includes a capital contribution from the council towards

the cost of the refurbishment of 2 of the properties, this will be paid using the £500k Capital funding identified in para 7.2. It should be noted that the other 3 properties are already in use by the council as hostels but will be reconfigured and refurbished at no additional cost to the council to provide self contained units for single homeless people. This may result in a lower number of units in the 3 existing properties, 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.

- 7.5. The council uses a number of different types of Temporary Accommodation, currently housing over 3,000 households. Hostel accommodation of the type proposed in this project is the most cost effective, often being a cost neutral option, even after taking into account the cost of the hostel staff and other associated premises costs. Even without any government funding, increasing the provision of hostel placements is cost effective in keeping the overall cost of Temporary Accommodation contained. The proposal here is for a 10 year lease, which will deliver a saving overall when compared to the cost of the other types of Temporary Accommodation. Full details of the cost/income projection of the lease over the 10 year period is contained in Exempt Appendix 2. This is expected to be cost neutral over the period of the lease and will be within the existing Housing Needs budget.

8. VAT Implications on Land & Property Transactions

- 8.1. Property transactions generally involve complex VAT issues that can impact the Council's partial exemption calculation. The existing Hostels are not elected for VAT the VAT position of the two new hostels previously used as Hotels is to be established. Even if the properties are 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. In consideration of the Council's fiduciary duties risks relating specifically to leasehold acquisition have been duly considered and taken into account.
- 9.5. There is no legal reason to prevent approval of the recommendations set out in this Report.

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 (or None)

None

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