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| <p><b>Individual Mayoral Decision</b></p> <p>3 July 2015</p>                     |  |
| <p><b>Report of:</b> Corporate Director, Development &amp; Renewal</p>           | <p><b>Classification:</b><br/>Unrestricted</p>                                      |
| <p><b>Agreement to enter into a lease to accommodate homeless households</b></p> |   |

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| <b>Lead Member</b>            | <b>Councillor Sirajul Islam, Cabinet Member for Housing Management &amp; Performance</b> |
| <b>Originating Officer(s)</b> | Lorraine Douglas, Service Manager Housing Management & Procurement                       |
| <b>Wards affected</b>         | All wards  |
| <b>Key Decision?</b>          | Yes  |
| <b>Community Plan Theme</b>   | One Tower Hamlets; Great Place to Live   |

### **Executive Summary**

Agreement is sought to enter into a lease agreement for 71 self-contained flats in Merton for use as temporary accommodation; in the interim to agree to take on the first 54 flats ready for occupation on the standard 28-day licence to facilitate their immediate letting to families currently accommodated in hotels

There is an exempt report, of the same title, which accompanies this report.

### **Recommendations:**

The Mayor is recommended to:

1. Agree to enter into a lease for five years, with a three year break clause for a block of 71 flats in Merton, the cost of which is set out in the accompanying exempt report.
2. Agree that, in the interim, pending finalisation of the lease negotiations, 54 of those 71 units of accommodation be taken on the Housing Options Service standard 28-day Head Licence
3. Authorise the Corporate Director, Development & Renewal, after consultation with the Service Head – Legal Services, to agree the final terms and conditions of any agreement to implement the above decisions.

## **1. REASONS FOR THE DECISIONS**

- 1.1 The Council is required to provide suitable accommodation for homeless persons. In respect of families in particular, Bed and Breakfast accommodation is only deemed suitable for a period of six weeks, following which other accommodation must be provided.
- 1.2 There is an acute shortage of such suitable accommodation and, by entering into this lease, the Council will be able to offer good quality homes to a number of families.

## **2. ALTERNATIVE OPTIONS**

- 2.1 At present the Council is obtaining 5-10 self-contained units of accommodation per week. If the Council does not take on the block the Council will continue to struggle to provide suitable accommodation for families in accordance with the statutory requirements. .

## **3. DETAILS OF REPORT**

- 3.1 The Council currently procures the majority of its temporary accommodation by way of a rolling 28-day Head Licence. However it has become increasingly difficult to secure sufficient properties to meet need as the value of Temporary Accommodation Housing Benefit subsidy has been eroded relative to market rents.
- 3.2 In consequence the Council has been forced to start using so-called nightly-paid 'annexes' – self-contained properties let at B&B rates.
- 3.3 Since November 2014 the Council has participated in a pan-London exercise to restrict the payments for nightly-paid accommodation. This has resulted in a reduction of some 6% on the prices for annexes, but some Boroughs have suffered a loss of supply as a result.
- 3.4 Tower Hamlets, being increasingly reliant on out-of-borough properties because of the cost of private sector accommodation in the borough, has been particularly affected by a loss of supply.
- 3.5 The Housing Options Service now seeks to enter into longer-term lease agreements where this is likely to facilitate an increase in supply.
- 3.6 The Council has been presented with an offer to procure on a leased basis 71 units of accommodation in Merton that can be used to accommodate families who require accommodation other than in bed & breakfast hotels. 54 of these units are ready to let immediately.

- 3.7 Given the acute shortage of suitable accommodation, by entering into this lease, the Council will be able to offer good quality homes and security, stability and certainty to a number of families.
- 3.8 While negotiations to finalise the lease are undertaken it will be possible to let these properties immediately on the Council's standard Head Licence.
- 3.9 These flats will be offered to families following an assessment of their suitability for the needs of each household.
- 3.10 Further details are provided in the accompanying exempt report, which set out the costs associated with entering into this lease, and some of the risks associated with not doing so.

#### **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 As a result of the combination of the increasing numbers of applications to the homelessness section, the scarcity of available temporary accommodation and the high levels of rent charged to the Council, significant service delivery and budgetary pressures are being faced, particularly in respect of the increasing need to utilise bed and breakfast accommodation.
- 4.2 This report seeks approval to reduce these pressures by entering a five year lease for a block of 71 residential units within the London Borough of Merton. Initially 54 units will be utilised on a standard 28 day licence, prior to the full 71 properties being acquired on completion of the lease. The properties will be used to locate households that are currently placed in bed and breakfast accommodation.
- 4.3 Although the Homeless Service operates with a net 2015-16 budget of £2.8 million before DCLG Homelessness Grant is applied, the gross budget is £32 million. The major cost element is the £26.1 million budget for the rent payable to landlords for the supply of temporary accommodation.
- 4.4 While the majority of the costs will be recovered from rental income from the residents, it should be noted that there will be a net cost to the council due to the effects of the benefits subsidy system. A significant element of the rental income received by the Council will be made up of housing benefits. Although the Council has a statutory duty to pay benefits, the level of subsidy that is recouped from the DWP is capped i.e. the statutory benefits that the Council must pay on these properties will exceed the sum recoverable from the DWP.
- 4.5 Following the extension of the Local Housing Allowance based subsidy scheme to people living in temporary accommodation from April 2010, the Government introduced a cap on the level of benefits paid that were eligible for Housing Benefit Subsidy. This means that although a household may be eligible for full benefit on a property, the amount of the benefit that the Council can recover from the DWP in Housing Benefit Subsidy is capped. The impact of this is a net charge to the Council's Housing Benefits budget. In this case,

the cost is estimated at approximately £200,000 per annum (paragraph 3.1 of exempt report) although it is anticipated that this could reduce to approximately £30,000 per annum if amendments are made to temporary accommodation subsidy through changes to the Universal Credit system.

- 4.6 A growth bid was incorporated into the 2015-16 budget process to set aside additional funding of £1.6 million to finance the pressures that arise from the effects of welfare reform, together with the impact that high rents have on the Benefits Subsidy received by the Council in relation to temporary accommodation costs. Any net costs incurred by the benefits budget through the acquisition of the properties in Merton will be offset by the resources that the Council has earmarked.
- 4.7 It should be noted that the Council will be liable to pay the full leasing charge whether the properties are let or not. The properties will therefore require careful management to ensure that void periods are kept to a minimum. Having 71 units in one location should reduce the costs of administering and managing the placements.
- 4.8 The landlord is responsible for repairs and maintenance. The council is liable for dilapidations at the end of the lease and any costs arising from malicious damage. The properties are provided unfurnished apart from domestic electrical equipment ('white goods') and window blinds.
- 4.9 A rent review will take effect on the third anniversary of the date of the lease. It is proposed that any increased charges to the Council will be linked to the Retail Prices Index, and these charges should be reflected in the rents that the Council in turn levies for the properties.
- 4.10 Additional comments of the Chief Finance Officer are set out in the accompanying exempt report.

## **5. LEGAL COMMENTS**

- 5.1 The Council has a duty under the Housing Act 1996 to secure that accommodation is available for eligible applicants who are homeless, in priority need and not intentionally homeless. The Homelessness (Suitability of Accommodation) (England) Order 2003 provides that that in cases of homeless applicants with family commitments (which includes those with children and pregnant women ), bed and breakfast accommodation is deemed not to be suitable except where no other accommodation is available and where it is provided for a period of no longer than six weeks.
- 5.2 The Council is required so far as is reasonably practicable, to secure accommodation in Tower Hamlets (Housing Act 1996, section 208(1)). However, the High Court has made it clear that in areas of acute affordable housing shortage a local authority may decide that it is not reasonably practicable to accommodate people in its area.

- 5.3 Section 120 of the Local Government Act 1972 provides that the Council can acquire land by agreement whether situated inside or outside its area for the purposes of any of its functions, in this case its functions in relation to homeless persons.
- 5.4 The proposed lease is for a term of five years. It contains a right for either the landlord or the tenant to terminate the lease after three years of the term by the service of notice to terminate on the other party.
- 5.5 The Council is required under section 3 of the Local Government Act 1999 to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. The best value duty is addressed in paragraph 7 below.
- 5.6 The Council is also required to comply with S149 of the Equality Act 2010 and this is addressed in paragraph 6 below.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 When exercising its functions, including housing functions , the Council has a duty under section 149 of the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination and advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not. This proposal involves the Council’s exercise of its powers to acquire property by way of a lease for the purposes of providing for homeless persons. The allocation and use of those units for those households with family commitments will be determined in accordance with the statutory requirements to provide such accommodation, based on a number of relevant factors including priority need and suitability of accommodation. This service will, in accordance with the legal requirements, largely be of benefit to children. The majority of affected households are not currently accommodated within Tower Hamlets. This proposal presents an opportunity to provide good quality, suitable homes within easy reach of the Borough.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 This approach provides an opportunity to achieve an immediate and substantial improvement in the Council’s performance on Bed & Breakfast placements and an immediate improvement in the living conditions of homeless persons who will be able to settle in good quality homes until they receive a permanent offer of accommodation from the Council. It is likely most of them will stay for the duration of the lease offering security, stability and certainty for them.
- 7.2 The cost of entering into this lease will, on current subsidy arrangements, be around £200k PA. This is likely to reduce to around £30k PA if the revised

subsidy arrangements indicated in the consultation on Universal Credit are implemented.

- 7.3 The lease charge is considered to be a competitive rate having regard to that which other Councils pay or are willing to pay for such accommodation and is less than the market rate for equivalent flats in the area.
- 7.4 Placing this number of families in one block will offer efficiencies in managing these homeless cases. They will all have a single point of contact with one Housing Officer. This would represent around 50% of an area covered by one Housing Officer, so reducing costs associated with travelling to out of borough properties.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 The block is offered with communal supply of heat, light and hot water, achieving a favourable rate for utilities for the households who will be on limited incomes. The block, a Permitted Development conversion from office to housing is thermally efficient, achieving an energy efficiency rating of C.

## **9. RISK MANAGEMENT IMPLICATIONS**

- 9.1 There are risks to the Council that in the longer term it will not be able to let all of the units for the full duration of the lease. However in the unlikely event that such a situation arises the Council would offer them to other London Authorities.
- 9.2 At present the Council has sufficient families which could be placed from B&B to fill the block and it does not envisage a situation where it would be unable to use all of the flats for the full duration of the lease. There is an added risk presented by welfare reform and the proposal to reduce the benefit cap by a further £3,000 which may mean the Council needing to subsidise the rents for families who are not in work. However this is a risk that applies to all non-working families in temporary accommodation.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 10.1 The block is secure, will have CCTV and the families will no longer be required to share amenities as they are at present in the hotels. This will provide a more secure environment for these families with less risk of them becoming victims of crime than they are currently exposed to in hotels.

## **11. SAFEGUARDING IMPLICATIONS**

- 11.1 There are serious safeguarding concerns with children being placed for extended periods in hotel accommodation. Shared hotel accommodation is

not suitable for families with children, and may only be used in an emergency, subject to a maximum of six weeks in accordance with the 2003 Suitability of Accommodation Order. This was in recognition of the harm to children's development if spending lengthy periods in cramped, overcrowded accommodation with insufficient space to play and study. Further concerns arise from the need to share cooking, bathroom and toilet facilities with other households, including in some cases, vulnerable single adults.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- Agreement to enter into a lease to accommodate homeless households (Exempt)

### **Appendices**

- None

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

### **Officer contact details for documents:**

Lorraine Douglas, Service Manager, Housing Management & Procurement, 020 7364 7082