

Part A For General Release

REPORT TO:	CABINET 14 July 2014
AGENDA ITEM:	15
SUBJECT:	Acquisition of two 10 year leases for Concord and Sycamore House for the provision of new temporary housing
LEAD OFFICER:	Richard Simpson Director of Finance and Assets
CABINET MEMBER:	Cllr Simon Hall Cabinet member for Finance and Treasury Alison Butler Deputy Leader (Statutory) Homes and Regeneration
WARDS:	All Wards
CORPORATE PRIORITY/POLICY CONTEXT: Manage Need and Grow Independence – The leasing of additional residential units on a longer term basis supports the strategic objective to alleviate homelessness and pressure on housing set out in the Corporate Plan The proposal will also help to contribute towards improving health and wellbeing through decent homes and neighbourhoods a strategic objective set out in the Housing Strategy	

FINANCIAL IMPACT The agreement requires the Council to enter into two separate 10 year leases on terms outlined in the Part B report for Concord and Sycamore House
FORWARD PLAN KEY DECISION REFERENCE NO.: 1291 and 1292

This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.'

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

- 1.1 That the Cabinet agree that the Council enter into a 10 year lease of Concord House 454-458 London Road, Croydon without a break to provide 126 units of accommodation as part of the Councils homeless strategy.
- 1.2 That the Cabinet agree that the Council enter into a 10 year lease of Sycamore House 799 London Road, Croydon with a break at the end of the 5th year to provide 63 units of accommodation as part of the Councils homeless strategy.

2. EXECUTIVE SUMMARY

- 2.1 As part of its housing strategy the Council are looking at a number of different ways to address the homelessness issue. To reduce the reliance on the use of bed and breakfast type accommodation, one option is the use of larger blocks of purpose built residential accommodation to provide short term housing.
- 2.2 This report is seeking approval for the Council to enter into two new 10 year leases. Concord House at 454-458 London Road, Croydon will provide 126 residential units and Sycamore House, 799 London Road provides a further 63 units (the accommodation).
- 2.3 The accommodation will provide a total of 189 units comprising 149 purpose built studios and 40 one bed flats all of which are self-contained including a shower room and kitchenette. There are 8 flats on the ground floor of Concord House which are designed for disabled use. The studio apartments are to be fitted out with 2 single beds and the flats with 4 single beds to maximise flexibility.
- 2.4 The opportunity to secure larger blocks of accommodation for the provision of short term housing is limited and previous opportunities have not proved to be financially beneficial. However, the terms agreed for both of the sites do provide clear financial benefits when compared to other options including Bed and Breakfast accommodation and provide a reasonably quick solution as the developments are expected to be ready by January 2015.
- 2.5 As at 23 June 2014 there were a total of 513 households in bed and breakfast accommodation. Although this number varies from week to week, over the last two years the total has seen a minimum of around 400 families requiring such accommodation.

3. DETAIL

- 3.1 Emergency housing needs are currently being met through a number of methods but a larger scale and more permanent solution to reduce the mixture of bed and breakfast accommodation, framework providers and private landlords is required. There is an ongoing increase in demand both within the borough and as a result of competition from surrounding councils and therefore the available accommodation is becoming increasingly difficult to secure and is increasing in cost.
- 3.2 The Council are therefore looking at a variety of ways to reduce reliance on third party providers to gain more control and budget certainty.
- 3.3 One of the options is to take a lease from a commercial landlord for larger blocks of residential units. Council officers have therefore been in discussion with the developers who are undertaking refurbishment schemes at Concord and Sycamore House on London Road.
- 3.4 The conversion will provide a total of 189 units of accommodation split between 149 studio apartments and 40 one bed flats. Eight of the one bedroom flats located on the ground floor of Concord House will be designed specifically for disabled residents and the site will also have 8 dedicated disabled parking spaces.
- 3.5 Each unit will be self- contained with a shower room and kitchenette and will be fully furnished by the developer to include two single beds for the studio apartments and 4 single beds for the one bedroom flats to provide maximum flexibility. A recent survey of families currently in Bed and Breakfast (B&B) accommodation within the borough indicated that nearly 50% are single parent with a single child and therefore the bedsit units will provide reasonable accommodation and a better option than the traditional B&B route. The 1 bed flats supplied with 4 single beds will provide suitable space for larger families.
- 3.6 Discussions have been had with the landlords regarding the provision of some larger flats but this has not been possible due to the impact on the landlord of the financial viability of the scheme. Larger properties would reduce the number of units but do not attract sufficient increases in rentals to maintain the level of return required. Consideration of linking two existing smaller units to allow a larger family to be accommodated within two adjoining apartments has not proved possible due to either the layout of the flats or due to fire safety requirements.
- 3.7 The market evidence for lettings of blocks such as Concord and Sycamore House to local authority providers is limited. Regard has been had to similar developments in Hackney, Camden, Barnet and Merton and the terms agreed are comparable and in some cases more favourable than these examples. The majority of developments in this field are being let to students where the rooms are much more compact with only a single bed and shared kitchen facilities or professionals where facilities have been upgraded. Previous schemes that have been considered by the Housing team have not been financially viable but the discount and terms negotiated help to generate an annual financial benefit

in addition to providing accommodation offering significant improvements over the existing B&B provisions for families.

- 3.8 The terms detailed in the Part B report for both blocks are considered to be competitive and favourably against current rental values in the private rented sector for furnished accommodation especially taking into consideration the services and management to be provided by the landlord as part of the lease arrangements. Officers have considered managing the building direct but the discounts offered by the landlord did not make this an attractive proposition. Maximum flexibility through the subletting provisions has been negotiated to provide future flexibility.

4. CONSULTATION

- 4.1 Consultation with external bodies has not been undertaken but research around rental levels and lettings of similar buildings to other authorities has been carried out.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1. Risks

The principle risk is the commitment to the 10 year term for Concord House given the level of rent payable. This has been considered but as the current homeless levels are considerably greater than the accommodation on offer it is considered extremely unlikely that the accommodation will not be required over this period. To further mitigate the risk across the two blocks a break clause at the end of the 5th year has been negotiated for Sycamore House to give greater flexibility to absorb any fall in demand.

The alienation provisions also allow a very flexible approach to the use of the building allowing letting to other Councils and registered providers as well as private individuals and students so that if units were to become surplus, any costs could be met through sub-let income.

The rent review in year 5 is linked to market values and will therefore be reflective of using any other form of third party accommodation but has the benefit of a 7.5% discount to ensure this will remain a cheaper option

As under the proposed terms of the lease the furniture is only replaced by the landlord every 10 years there is a risk that due to the intensity of use of the accommodation the Council will have to replace or repair items more frequently. This has been reflected in the financial calculations with the replacement of the key items such as beds and mattresses being allowed for at least twice during the course of the term.

As the Council will be responsible for paying the utility costs and then recovering these from the individual tenants there is a risk of under-recovery. An accurate building management system is being installed by the landlord to monitor individual usage for each unit to help recovery. The financial model has also allowed for a 20% bad debt level to reflect this possibility.

2 Options

This proposal is being put forward as an alternative to the existing methods of provision as it offers a cost benefit and greater security at least in the medium term. A break clause could also be included in the Concord House lease but this would increase the rental level by at least £50,000pa as it is less attractive to the landlord and given the level of demand for accommodation this is not considered necessary.

The Council could consider carrying out similar conversions themselves but this would not be achievable within the same timescale that this current proposal can offer.

A further alternative is to look at modular units that could be sited on vacant sites (either Council or privately owned) for shorter periods of time and then re-used on another site when required to relocate. This is currently being considered at a high level to try and assess the potential costs.

3 Future savings/efficiencies

Compared to other options such as short term B&B provision, this option is expected to deliver total savings of approximately £2.1m over the 10 years of the lease (Concord House) and £0.46m for Sycamore House over the first 5 years.

(Approved by: Lisa Taylor, Head of Finance and Deputy s151 Officer)

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Council Solicitor comments that in agreeing the basis of the acquisition, the Council must be satisfied that it is paying a fair market value for the lease. The best consideration test and requirements are set out in section 123 of the Local Government Act

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Director of Democratic & Legal Services)

7. HUMAN RESOURCES IMPACT

7.1 As the current provisions already rely on third party providers there are no expected human resources impacts.

7.2 (Approved by: Hansa Bharadia HR Business Partner on behalf of the Director of Human Resources)

8. EQUALITIES IMPACT

8.1 An initial equality impact assessment has been undertaken and determined that:

- ◆ No major change - the Equality Analysis demonstrates that the policy is robust and that the evidence shows no potential for discrimination and that all opportunities to advance equality have been taken;

9. ENVIRONMENTAL IMPACT

- 9.1 The conversion of the former office buildings to provide the residential accommodation will be in accordance with building regulation requirements and therefore will be compliant with the current regulations where these apply. The conversion work will include new heating and lighting which will utilise more efficient equipment. The use of this space is therefore likely to be more sustainable than the existing options which utilise older, less efficient accommodation

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 The buildings will be managed during the daytime and the individual apartments fitted with high security locks. It is proposed that the buildings will have an entry door system to try and prevent unauthorised access outside of the hours that the building is managed.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

A new ten year lease for Concord House and Sycamore House will allow the Council to provide a cost effective and secure method of dealing with the short term housing need and reduce its reliance on third party providers.

12. ALTERNATIVE OPTIONS CONSIDERED

The current proposal is one of several options in response to the current homelessness issues to ensure a longer term sustainable solution is in place. Other options that are being considered or already implemented include:

- ◆ Contacting local agents and landlords regarding private rented properties. Although more than 300 properties were offered to the council, between 50 and 60% of them were either not immediately available to let or required considerable work to get them into a suitable condition and therefore this has only addressed part of the problem. Renting on a more ad hoc basis requires greater levels of management and requires a market rent to be paid without any discount.
- ◆ Purchasing properties in the open market to use as temporary accommodation under the expanding temporary accommodation (ETA) scheme. Over the last 18 months, 90 properties have been acquired of which 70 have been let to homeless households and a further 5 properties are under offer. The second phase of the scheme has recently been approved by Cabinet (November 2013) which is expected to deliver a further 90 properties.
- ◆ Identifying opportunities to convert hard to let council retirement housing and redundant council buildings (such as Park Keepers and School Caretakers Cottages and Children's Homes) into temporary accommodation. Council homes at Gillett Road have already been converted to general needs temporary housing and Cabinet received a report in December 2013 and approved the decision to also convert

Tonbridge House. Some individual properties have proved to be unsuitable due to the high repair costs, location or high capital values.

- ◆ Ensuring that empty properties brought back into use with assistance from the council, are provided to households in housing need – 19 empty properties have been provided so far and a further 9 are in the pipeline.
- ◆ Developing and piloting a new lodgings scheme for young homeless parents based on the council's Shared Lives scheme¹. Identifying and training new householders to take on this role requires a long lead-in and will only address a small number of homeless families.
- ◆ Previous schemes to utilise redundant buildings have been considered but rejected in the past as they have not been cost effective or have failed to get planning consent. However, such opportunities will now be revisited.

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BACKGROUND PAPERS: none

APPENDICES

1. Indicative floor layout plans for:
 - ◆ Concord House Ground Floor
 - ◆ Concord House First Floor
 - ◆ Sycamore House First Floor
 - ◆ Sycamore House Third Floor

¹ The Shared Lives scheme provides people with mental health problems and people with learning disabilities with accommodation with a householder that has been trained to provide support.