

<b>Item No.</b> 28.	<b>Classification:</b> Open	<b>Date:</b> 22 July 2014	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Proposal to Lease Northcott House Hostel	
<b>Ward(s) or groups affected:</b>		Cathedrals ward People in housing need affected, borough wide	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Housing	

## **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR HOUSING**

Southwark is currently facing both growing numbers of homeless people and significant pressures on its temporary accommodation provision. The decision by Central and Cecil to vacate Northcott House, which provides accommodation for vulnerable women, could potentially have made this situation worse. This report proposes that the council lease this building for a period of four years to provide accommodation for single vulnerable adults, as a step supporting them towards independence.

As some of the 45 units at Northcott House are currently used by people from other boroughs, this lease will increase the amount of temporary accommodation available to Southwark residents. This not only better meets the needs of those residents but will also save the temporary accommodation budget the additional costs associated with bed and breakfast accommodation.

## **RECOMMENDATIONS**

1. That cabinet agree to lease Northcott House subject to acceptable terms being agreed with the landlord with a view to using and managing the buildings as 'step down' accommodation for vulnerable adults, now deemed able to live independently, pending their move into either a social or private rented tenancy.
2. That cabinet delegate authority to the head of property to agree detailed lease terms and to complete a lease of the premises on the terms (or better) set out this report.

## **BACKGROUND INFORMATION**

3. Central and Cecil are an established Register Provider who were previously commissioned through a Supporting People contract to provide 45 units of accommodation in a supported hostel for young women.
4. In December 2011, Supporting People funding was withdrawn and the building was decanted. The council's Temporary Accommodation, Procurement and New Initiatives (TAPNI) business unit came to an agreement with Central and Cecil so that Southwark would nominate homeless women to the hostel and that Central and Cecil would provide a fully managed service as a cost neutral alternative to bed and breakfast (B&B).

5. This arrangement has proved mutually beneficial for both organisations. Through it Southwark has been able to reduce the number of households in expensive bed and breakfast accommodation while Central and Cecil have continued to generate a rental income through clients nominated by the council.
6. However Central and Cecil have recently been re-evaluating the core aims of the organisation. They wish to retain overall ownership of the building and are hoping to continue generating an income on the building while they are focusing their business on more housing provision for elderly and vulnerable people.
7. In addition, there are a few clients in the building who have not been directly nominated by Southwark are comprised of referrals from Camden and also referrals from St Giles.
8. Specialist Housing Services have expressed an interest in leasing the building to enable them to provide additional short-term low support accommodation for 45 adults who are ready to step down from higher supported housing in readiness for independent living. The hostel units are of a good standard, providing en suite facilities to all rooms with access to shared cooking facilities. Specialist Housing Services have engaged surveyors from Property Services to liaise directly with Central and Cecil to negotiate on their behalf to secure the building at the lowest possible annual rent. The principle heads of term are agreed are contained in the closed version of this report.
9. Under leasing proposals, there will be some financial risk to the council due to the fact Specialist Housing Services will be responsible for lease costs as well as assuming responsibility for income collection, voids control and full repairing obligations. However, a cautious financial model has been produced which anticipates that the hostel will be managed on a cost-neutral basis.

## **KEY ISSUES FOR CONSIDERATION**

### **Supply and demand**

10. In June 2014, there were 73 adults with support needs placed into inappropriate and expensive bed and breakfast accommodation while they are waiting for a move into supported housing.
11. There are 91 single adults who have been deemed by their support workers to be capable of independent living who are currently in supported housing. However there is currently insufficient accommodation across all sectors to assist this move on.
12. It is proposed to use Northcott House as “step down” accommodation for people ready to move out of higher supported hostels and to begin bidding for permanent housing. This will in turn create vacancies for people who require a higher level of supported housing to move from unsuitable bed and breakfast accommodation. The benefit to the council will therefore be 45 fewer households in bed and breakfast if all rooms are occupied. Later vacancies can be offered as step down from various pathways including mental health services with packages of care.
13. The cost pressures to the council's general fund of bed and breakfast accommodation remain high and a prime strategy of Specialist Housing Services is to reduce this to a minimum. Leasing a hostel in this manner is part of a range

of schemes in development to boost supply of properties to minimise the costs of temporary accommodation.

14. The cost of keeping the existing 45 households in bed and breakfast accommodation is a financial risk to the council if we do not secure Northcott House. There will be considerable cost benefits to the council through leasing hostel units as step down and reducing use of bed and breakfast for single vulnerable people.
15. Although there are some risks around void levels and rent collection these will be carefully managed. Crucially, there are real risks if the council does not lease the building, especially if another local authority uses it. Not only would this be of a cost to Southwark in terms of temporary accommodation, it would also place strain on other council services as other authorities export their homeless households into Southwark.
16. It is proposed that existing workers at Northcott House will be transferred, under TUPE regulations, from Central and Cecil as they will undertake broadly similar tasks. The staff will work intensively with residents to facilitate with benefit take up and to help residents move on into private or social rented homes.
17. In the highly unlikely event of there being rooms which cannot be filled as “step down” accommodation, the council can use the property as additional temporary accommodation for single homeless households.

### **Approval**

18. As approvals would represent land transactions with a value over £100,000, cabinet approval is sought.

### **Community impact statement**

19. In line with the council’s Fairer Future promises, as outlined in the Council Plan adopted on 6 July 2011, the proposal will provide improved value for money.
20. It will further work with our partners in the voluntary sector to develop a stronger, sustainable service.
21. The scheme further contributes to the council’s Sustainable Community Strategy, which has 3 objectives:
  - Improving individual life chances.
  - Making the borough a better place for people
  - Delivering quality public services.
22. This scheme will address all of these policy objectives by offering high quality supported accommodation fully managed by the council to vulnerable households who are homeless. The standard of the hostel facilities and contract management will not only improve the quality of life of vulnerable residents but also contribute toward improving the fabric of the wider area. It will reduce the number of vulnerable single homeless people inappropriately placed in unsuitable Bed & Breakfast accommodation and provide them with a greater level of support and reduce inequality and disadvantage across a range of services for those clients in bed and breakfast and supported hostels across the

borough. The equality analysis and profile of clients currently in bed and breakfast is provided in the closed report.

23. There will be a benefit to the council's general fund by placing fewer households in bed and breakfast accommodation.

### **Resource implications**

24. Proposals to establish a lease agreement with Central and Cecil Housing Trust to use Northcott house, based at Waterloo, London SE1 are detailed within this report. The hostel will be used to house vulnerable adults and managed by Supported Housing services.
25. It is planned that the property is vacated and let in its current state and there will be an expectation that LBS will return it in no better condition in terms of repair or decoration at termination of the lease. For clarity, there will not be an expectation that LBS complete a redecoration cycle. A condition survey will be undertaken including a photographic survey and will be attached to the lease. The lease period is to be for a 4 year term with the opportunity for C&C or LBS to break the lease at any time on 12 months notice to the other. The rent payable is included in the closed version of this report.
26. Early estimates indicate that the premises is in reasonable condition and suitable for LBS usage. The calculated net revenue situation is set out in the closed version of this report.
27. Cost assumptions have been based on a similar sized hostel locally. There is a possibility that maintenance costs in the first twelve months will be limited as the condition of the premises is assumed reasonable. This will be confirmed once a survey has been undertaken. The requirement for additional staff time is estimated and will be managed throughout the year. The calculation shown indicates that on the basis of full unit occupancy breakeven could be delivered and therefore the no cost to general fund budgets.
28. Cost assumptions allow for a night time security guard to be on site between 8pm and 8am. This cost will be chargeable through a weekly service charge and under current housing benefit guidelines the cost is rebatable and at this stage the expected client's base are all eligible.
29. The alternative equivalent numbers of Bed and Breakfast units used instead of the 45 units proposed in the hostel, assuming full occupancy. A net cost of accommodation of £119,088 per annum is produced for self-contained placements. The point illustrates the additional pressure to general fund budgets which would be created if service users were housed in Bed and Breakfast accommodation rather than in the hostel. This can be reduced through use of this alternative. The cost summary of this estimate assuming full occupancy is shown in the table below.

### **Self contained average daily rates and totals**

<b>Units – Self-contained</b>	<b>Single</b>	<b>Annual cost</b>
Single placement cost per night £60.42	45	£992,399
Rental income		£(873,311)
<b>NET COST</b>		<b>£119,088</b>

30. It is clear that the average cost of providing B&B accommodation would be greater than the revenue costs likely to be incurred through operation of the hostel.
31. A summarised comparison of the net position between the alternatives is shown in closed version of this report.
32. This position is clearly subject to several conditions. Firstly, confirmed assessment of up-front costs required to pay the annual lease and the results of the survey to confirm there are no conversion costs, although these are not expected. Secondly, the rental stream generated through occupation of the hostel subsidises the additional revenue costs associated with operating it, which appears viable even allowing for a drop in occupation and therefore a breakeven position indicated by the calculations. Thirdly, the use of the hostel in place of Bed and Breakfast reflects cost avoidance to general fund budgets. Although the financial summary above allows for all expected spend, it is advisable that additional financial testing is undertaken as the detailed specifications and requirements of the hostel are drawn up.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

33. The Director of Legal Services (acting through the Contracts Section). The grant of the proposed lease to LBS is likely to amount to a relevant transfer under TUPE Regulations 2006 as amended, as the building is likely to be run as a hostel up until the date of transfer to LBS. However until due diligence is carried out definitive advice on TUPE cannot be provided. This due diligence work needs to be carried out before the final terms of the lease are negotiated.
34. The Cabinet is advised that as far as the acquisition of the lease is concerned, section 120(1) of the Local Government Act 1972 ("the 1972" Act) authorises the council to acquire any land by agreement for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. By virtue of Section 120(2) of the 1972 Act the council may acquire by agreement any land for any purpose for which they are authorised by the 1972 Act or any other Act to acquire land, notwithstanding that the land is not immediately required for the purpose, and, until it is required for that purpose, it may be used for the purpose of any of the council's functions. This would include the acquisition of leasehold interests in Northcott House on the terms specified in this report.
35. Whilst it is proposed that the council acquire a relatively short lease of Northcott House, 4 years, this remains the acquisition of a legal interest in property and will require the outlay in rent as set out in the closed version of the report over the 4 year term. Accordingly the approval of the Cabinet is required. The Cabinet is advised that it has adequate powers to acquire such a leasehold interest in the property and they may approve the recommendation if they are minded to do so.

### **Strategic Director of Finance and Corporate Services (FC14/013)**

36. This report seeks cabinet agreement to lease Northcott House subject to acceptable terms being agreed with the landlord. The financial implications are covered in the body of this report.

37. The use of Bed & Breakfast to meet the continued demand for temporary accommodation represents a significant cost pressure for the council. The use of Northcott House represents a lower cost option. Once the lease is granted, further financial modelling will be required to ensure the proposed service represents best value and can be contained within existing resources.

**Executive HR Manager**

38. This TUPE transfer will be managed in line with TUPE Regulations and full consultation with staff affected will take place leading up to the transfer and final due diligence information will be provided 28 days prior to the date of transfer.

**Head of Property**

39. The hostel is currently owned and managed by Central and Cecil. Their intention is to cease directly managing this accommodation. They have offered The council a short term lease whilst they develop their long term plans for the building. The report above makes clear the Specialist Housing Team’s rationale for acquiring the property. There are adequate protections within the Heads of Terms to enable the council to either end the lease (with twelve months notice) or bring in a partner provider should the Specialist Housing Teams’ role, remit or requirements change.
40. Final detailed negotiations with the landlord are on going. In order to meet the Landlord’s timescales, Property recommends that the principle Heads of Terms contained in the closed version of this report are agreed and that delegated approval is given to the Head of Property to approve final lease terms and completion of the lease.
41. A full condition survey is underway but it is not expected to identify any significant issues. Any issues will be taken into account as part of the report to the Head of Property seeking approval of the final Heads of Terms and completion of the lease.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None		

**APPENDICES**

No.	Title
Appendix 1	Equality Impact Assessment

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Housing	
<b>Lead Officer</b>	Gerri Scott, Strategic Director of Housing and Community Services	
<b>Report Author</b>	Martin Green, Head of Specialist Housing Services	
<b>Version</b>	Final	
<b>Dated</b>	9 July 2014	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments Included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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