

Committee: Cabinet

Date: 27 June 2022

Wards: All

Subject: Extension of contract for temporary accommodation services

Lead officer: Elliot Brunton, Interim Head of Housing Needs and Strategy

Lead member: Andrew Judge, Cabinet Member for Housing and Sustainable Development

Contact officer: Elliot Brunton, Interim Head of Housing Needs and Strategy

Recommendations:

- A. That Cabinet approve the extension of the Hall Place Contract into a new lease for a term of 5 years from the date of expiry of the current lease on 4 November 2026.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to seek an extension to the Hall Place contract following negotiations to reduce the contractual rent increase and to enter into a new lease for a term of 5 years from the date of expiry of the current lease on 4 November 2026.

2 DETAILS

- 2.1 The Council's duties to the homeless are contained within Part VII of the Housing Act 1996 (as amended). These duties, in summary, provide a safety net for those persons in the borough at risk of homelessness. Where such people appear to be (a) eligible for assistance (mainly concerned with having settled immigration status); (b) homeless; and (c) in priority need of accommodation (most commonly having responsibility for children or being vulnerable), they are owed what is known as the 'interim' duty. This duty provides them with temporary accommodation pending more detailed enquiries into their application and actions taken by the authority to relieve their homelessness.
- 2.2 Where, on conclusion of those enquiries, officers within the Housing Department are satisfied, on behalf of the Council, that the homeless person is eligible; homeless; is in priority need and did not become intentionally homeless; and has a local connection, then they are owed what is known as the 'full' or the 'main' duty. This is a duty to continue to provide them with suitable temporary accommodation, without limit of time, until the duty is brought to an end in a limited number of prescribed circumstances, most commonly via a reasonable offer of accommodation. This offer is from a registered social landlord or via a private sector Landlord.
- 2.3 Accommodation offered under the Act is required to be suitable for homeless households and this is set out in the Homelessness (Suitability of Accommodation) (England) Order 2012. When securing accommodation in relation to either the "interim" or "main" homeless duty, s208(1) of the

Housing Act states, so far as reasonably practical, the authority must secure this accommodation in its own area. This was reinforced in the Supreme Court judgement handed down in the case of *Nzolameso v Westminster 2015*.

- 2.4 Central government policy has restricted the types of temporary accommodation that can be seen as a suitable in the discharge of these duties. With effect from 1st April 2004, the use of bed and breakfast for families with children was made unlawful over a 6-week period and the use of this accommodation for persons aged 16 or 17 years old is likewise discouraged.
- 2.5 The Council has power to acquire housing accommodation for the purposes of satisfying its duties to provide accommodation for the homeless (s17 of the Housing Act 1985). The properties will be offered either as emergency accommodation in compliance with the “interim duty” under s188 of the 1996 Act or as temporary accommodation under “main duty” under s193 of the Act. In addition, the Council may provide temporary accommodation in certain circumstances to persons to have no recourse to public funds in order to fulfil its duties under the Care Act 2014 and the Children’s Act 1989.

2.6 **Current Supply and arrangements**

The Council has a longstanding professional relationship with the providers of Hall Place, *Room and Studios*. In 2001, the Housing Services division entered into a contract for the provision of temporary accommodation for homeless applicants. In 2016 a 10-year lease, with a 5-year break clause and rent review, was agreed by Cabinet. The existing lease was signed on the 7th November 2016.

Rooms and Studios provide a high-quality service and Hall Place has been given the highest rating under the London-wide ‘Setting the Standard’ inspection regime

Hall Place provides-

- 81 Self-contained rooms
- 24 hour concierge
- Car parking facilities

We were contacted by Rooms & Studios in October 2021 in relation to the review specified in the lease signed in 2016. The lease provides the mechanism for a rent increase based on RPI in order to adjust the existing rent set 5 years ago.

The formula set out in the lease in line with the RPI would have shown an increase from 4th November 2021 of £211,026.95 and the annual rent payable by the Council would have changed from £1,279,200 to 1,490,226.95 (this would have been a 16% increase). Rooms & Studios have also raised that over the past three years they have replaced/renovated all the en-suites at Hall Place, which has been a significant investment in capital alongside the operational budget.

Notwithstanding the formula set out in the lease, officers met with senior representatives from Room & Studios to or order to seek to negotiate an alternative rent increase. Officers were able to broker an agreement for a 50% reduction of the rent increase to £105,513.48 per annum. This would be dependent upon the Council agreeing an extension of the lease for a further 5 years until 2031.

Rooms and Studio's already work with other London authorities and have said that they would have no difficulty in entering into a contract with another Council if Merton will not work with them. This would affect local services including school's (including school placements) health and children and adult social care. Homeless families often have additional needs and vulnerabilities that would impact upon the Council's resources.

There is considerable fluidity in the temporary accommodation market and there is significant competition from other London boroughs requiring such properties.

2.7 Key considerations

The purpose of extending the contract with Rooms and Studios is to ensure that homeless clients continue to be housed in suitable secure accommodation that meets minimum standards. It is recognised that the use of private sector accommodation to house homeless clients is expensive, however due to housing demand pressures and the shortage of social housing the Council is heavily reliant on the private housing sector to source temporary accommodation for those who present as homeless.

The Council has no access to other more cost-effective types of temporary accommodation such as the use of vacant Council housing stock and whilst we have previously made use of 'buy back' properties on the Clarion regeneration sites, no further properties are now being made available.

Whilst it is the case that the Council recently joined *Capital Letters*, which is a pan-London private sector procurement organization, it is the case that, at present, they do not provide temporary accommodation as defined above but rather provide homes that are offered to applicants in full discharge of homeless duties (e.g. bringing those duties to an end), and this includes existing applicants in temporary accommodation.

3 ALTERNATIVE OPTIONS

3.1. Option 1: Do Nothing:

If the Council does not agree the lease extension then according to the terms of the lease we will face a rent increase of £211,026.95 and the annual rent payable by the Council would have changed from £1,279,200 to 1,490,226.95.

3.2. **Option 2: Exercise the 5-year break clause with Rooms & Studios for Hall Place**

If the Council decides to exercise the break clause, bringing the lease to an end, this would mean all current residents would need to be decanted in to suitable alternative accommodation. There are considerable difficulties in procuring temporary accommodation within the borough boundaries.

Moving this many households will have an immediate effect on these households and will considerable disruption to their health, employment and educational needs.

Additionally and as highlighted previously, Rooms & Studios would look to offer Hall Place to another authority which would mean bring new demands on local services.

3.3. **Option 3: Agree a 5 year extension to the lease with Rooms & Studios for Hall Place**

This is the recommended option

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None Applicable

5 TIMETABLE

5.1. The rent review was due the 4th November 2021

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. There are currently around 233 homeless households in nightly paid temporary accommodation as of April 2022, of which 73 households are resident at Hall Place, Mitcham. There are around 160 households located in accommodation elsewhere, the majority of which are out of borough. The gross cost of nightly paid accommodation for 2021/22 was £4,945,415. The net cost to the housing service after housing benefit income and client contribution was £561,799.

6.2 Estimated value of contract

The costs of temporary accommodation are funded by rents charged to occupants. Much of this rent is met by housing benefits payments. However, since the implementation of the local housing allowance and the benefit cap, housing benefit subsidy no longer covers the full cost of temporary accommodation.

The negotiated rent increase increase will be funded from the inflation uplift. This has already been recognised and included in 2022/23 budget.

The total projected value of the Hall Place proposed contract would be £1,384,713.48 per year or £6,923,567.40 over the life of a 5-year contract (8% increase of £1,279,200).

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Homelessness legislation, Part VII of the Housing Act 1996 (“the 1996 Act”) as amended by Homelessness Act 2002, and subsequent legislation, Orders and Code of Guidance govern the duties and obligations on housing authorities for prevention of homelessness and for securing that sufficient accommodation will be available for people who become homeless or who are at risk of becoming so.
- 7.2. The terms of a new 5-year lease have been agreed, subject to contract, with the Landlords solicitors. The lease is to be for a term of 5 years from the date of expiry of the existing lease on 4 November 2026 at a base rent of £1,384,713.48 . This rent will be subject to review on the term commencement date in line with RPI increase from 4 November 2021 or to market value, whichever is the higher. The rent in the current lease is to be agreed at £1,384,713.48 as from the review date of 4 November 2021 in consideration of the lease renewal being entered into.
- 7.3.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 There are no significant factors relevant to this exercise. The service will of course continue to be provided in accordance with the council’s Equalities and Diversity Policy and other relevant policy and legislation

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None for the purposes of this report

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. There are three main areas of risk associated with the proposed contracts.

1) The risk is that the Council is unable to source a sufficient quantity of suitable properties that meet demand and is unable to meet its legal obligations.

2) The second risk is that the Council sources too much temporary accommodation i.e. you have a block contract with vacant rooms, the costs of which you cannot off-set with client charges.

Currently there is a steady number of homeless households approaching the housing team and a number of larger families living in temporary accommodation in nightly paid accommodation outside of the borough which could be relocated to Hall Place.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 11.1 None.

12 BACKGROUND PAPERS

- 12.1. None.

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