

LEASE OF HOUSE IN MULTIPLE OCCUPATION PROPERTY IN ROCHFORD: KINGS HEAD, 11 WEST STREET, ROCHFORD

1 PURPOSE OF REPORT

- 1.1 This report seeks authority from the Council to enter into a 10 year lease agreement of a house in multiple occupation (HMO), the Kings Head, 11 West Street, Rochford, to provide emergency temporary accommodation to homeless households.
- 1.2 Limited availability of affordable options in the private rented sector, exacerbated by welfare reform measures and limited levels of social housing stock, make it very difficult for the Council to avoid costly use of bed and breakfast (B&B) accommodation altogether. A working arrangement to lease a local newly developed HMO is considered a cost-effective way to help meet this demand.

2 INTRODUCTION

- 2.1 The Council continues to experience a high level of homeless approaches, with current numbers averaging 300 every month. The majority of these are managed by housing advice and prevention work, but this increase in demand, together with the introduction and impact of the Homeless Reduction Act 2017, means there is a continuing need to secure suitable emergency temporary accommodation.
- 2.2 The current total number of households in all types of temporary accommodation is 83. Included in this total figure are 22 households who are currently in emergency, out of district accommodation. The numbers can be broken down, as detailed in Table A.

Table A

Temporary accommodation type	How this is being provided	Numbers of households accommodated (as at 14.6.18)
Emergency (out of district)	Bed & Breakfast	5
Emergency (out of district)	Nightly lets	17
Temporary (local)	Refuge	4
Temporary (local)	Housing Provider	57

	accommodation (short term lets/licence)	
TOTAL		83

- 2.3 Over the last year the ongoing increase in prevention work, together with the impact of new supplies of temporary accommodation at Francis Cottee Lodge, Rayleigh and 22 South Street, Rochford has all had a significant impact in helping to manage the ongoing need for temporary accommodation, with particular reference to the Council's use of out of district B&B accommodation. Use of out of district B&B accommodation has reduced by 81% since last year. In June 2017, 27 households were recorded as being accommodated in B&B, compared with a current five households.
- 2.4 Despite the Council's increasing control over supply and budgets over the last year, the ongoing limited availability of affordable housing options means that there is still a current reliance on out of district B&B and nightly let accommodation and, therefore, there is still a need to attempt to protect the Medium Term Financial Strategy against unexpected increases in costs.
- 2.5 The ongoing use of out of district accommodation also means that the Council is still not effectively meeting the Government's homeless guidance: housing residents away from their homes and support networks should be an action of last resort. The lease of a new supply of local temporary accommodation is a further step in achieving our overall aim to eliminate B&B and all other use of out of district provision.

Kings Head, 11 West Street, Rochford.

- 2.6 11 West Street has planning permission for use as a HMO. The developers, who have already worked with the Council at 22 South Street, have approached the Council's Housing Options Service to offer a further leasing arrangement for this new HMO site.
- 2.7 The proposed leasing arrangement would be for 11 newly developed self contained rooms on the ground and first floor of the site only and excludes the 3 ground floor commercial units.
- 2.8 Essex HMO space and amenity standards have been used as a benchmark for this development and it is proposed the rooms in this HMO are used predominately for single occupancy.
- 2.9 The current anticipated date of completion for the repair and renovation works and the subsequent availability of the site is December 2018.

- 2.10 It is proposed that the accommodation be leased for a term of 10 years with a five year review. The agreement would include a break-clause which would enable the Council to terminate the arrangement during the lease term if expected levels of demand did not materialise or could be met through other more cost-effective provision. This scenario is very unlikely.
- 2.11 Leasing the accommodation would provide the Council exclusive rights to use it for the duration of the lease.
- 2.12 In addition to leasing 11 West Street it may be necessary, in the short term, to enter into a services contractual arrangement with the owner of the site, to provide management services, e.g. cleaning, emergency repairs, move in and out arrangements; the same as 22 South Street. These interim arrangements are pending the completion of the OJEU procurement process for the management of this property and 22 South Street, which is anticipated to conclude in December 2018.

3 RISK IMPLICATIONS

- 3.1 There is a continuing risk that the Council's statutory responsibilities to meet local need are not effectively being met. The proposed arrangements in this report mean that the Council would increase its compliance with the Government's homeless code of guidance and, therefore, mitigate the statutory risks.
- 3.2 The Council would need to ensure that the accommodation provided is of a satisfactory standard. The developer has already provided a good standard temporary accommodation conversion at 22 South Street and has produced designs for 11 West Street of a comparable design.
- 3.3 Neighbouring authorities have already directly approached the developer and have expressed an interest in working with them to take control of this site. In the event that the Council did not enter into an agreement, it would lose control over the property and local need would not be met.
- 3.4 Any vacancy of rooms would inevitably result in the Council incurring unnecessary costs. The Council's current use of out of district emergency accommodation is much greater than the provision under these arrangements and use of the leased accommodation would be prioritised above the booking of other accommodation. There is very little likelihood of not being able to occupy all the available accommodation all of the time.
- 3.5 The B&B savings enable some financial control over budgets but the recently increased statutory duties introduced in the Homeless Reduction Act 2017 now means more residents can be helped and accommodated for a longer period and this, together with the ongoing limited availability of affordable housing options, means that there will continue to be a reliance on emergency temporary accommodation. The decision to enter into new leasing arrangements can therefore only be seen as part of the solution and any

financial savings will support the funding of these ongoing demand and supply risk.

4 RESOURCE IMPLICATIONS

- 4.1 Table B shows the overall comparison of annual costs for this site, assuming all single occupancy. Management fee/call out costings and utility costs for communal areas are currently assumed to be the same as for 22 South Street and would be procured on this basis.

Table B.

RDC Point of View (£80,000 Lease)	11 West Street £ costs	B&B Comparison (Single Room) £ costs	Budget Saving £ costs
Annual Lease	80,000		
15% Management fee	12,000		
Call out / Cleaning	8,120		
Total Annual Cost	100,120	160,160	(60,040)
Rent charged to clients (£103.84 per week x 11 units)	(59,396)	-	(59,396)
Housing Benefit subsidy paid directly to RDC (£103.84 per week x 11)	-	(59,396)	59,396
Client Contribution (utilities) (£3 per week x 11)	33	(13,488)	13,521
Net cost (to Budget)	40,757	87,276	(46,519)

- 4.2 The lease to the site owner would be fixed at £80,000 per annum and a rent review carried out in year 5. The rent that the Council would charge the clients has been set at the maximum Housing Benefit Subsidy level for single occupancy, £103.84 per week and utility contribution, estimated at £3 per week.
- 4.3 If all 11 units were fully occupied (single occupancy), the total net cost to the Council would be £40,757. When compared to the total costs of £87,276 to house the same single residents within an average B&B property (circa £40 per night), this option would generate a budget saving of £46,519 per annum.
- 4.4 In terms of rent recovery, the same procedures as used for 22 South Street would apply to 11 West Street and, based on last year's performance, the recovery rate for invoices raised was 94%.

5 LEGAL IMPLICATIONS

- 5.1 The Heads of Terms shows the main terms of the lease may need minor amendment and clarification. The Council would be responsible for the maintenance and insurance of the building, but the Landlord would carry out works to develop the property prior to the completion of the lease.
- 5.2 To protect the Council's position there would be a right to terminate the lease following the rent review in the fifth year. There are no other legal implications associated with the lease.

6 PARISH IMPLICATIONS

- 6.1 A communications strategy has been drafted in consultation with the Ward and Parish Councillors and local residents will be given reassurances, advice and the opportunity to find out how the property is to be used and occupied. The strategy has also taken into consideration the twelve comments received during the planning process and reassurances will be given as to the future management of any nuisances i.e. noise, anti-social behaviour and parking congestion.

7 EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between those who share a protected characteristic and those who do not.
- 7.2 The protected characteristics are age, disability, gender, race, sexual orientation, religion, gender reassignment, marriage/civil partnerships, pregnancy/maternity.
- 7.3 The Equality Impact Assessment (EIA) indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.
- 7.4 The way temporary accommodation is acquired and financed does not materially affect clients, but the increase in supply of local temporary accommodation will reduce the impact for those homeless households, where employment, caring and/or education needs are all based in the District.

8 RECOMMENDATION

8.1 It is proposed that Council **RESOLVES**

- (1) That a 10 year lease be entered into for the Kings Head, 11 West Street, Rochford.
- (2) That authority to agree the final lease be delegated to the Assistant Director, Community and Housing Services, in consultation with the Assistant Director, Legal Services and the Portfolio Holder for Community.



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Background Papers:-

None.

For further information please contact Louisa Moss (Assistant Director, Community and Housing Services) on:-

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If you would like this report in large print, Braille or another language please contact 01702 318111.