



Executive
22 April 2013

**Report from the Director of
Regeneration and Major Projects**

For Action

Wards affected:
Kensal Green

Knowles House – Temporary use of vacant premises for the provision of bed and breakfast accommodation to homeless households.

***Appendices 2 and 3 are not for publication**

1.0 Summary

- 1.1 The Council to appoint a suitably qualified and experienced organisation for the temporary provision of bed and breakfast accommodation at the premises known as Knowles House, Longstone Avenue, London NW10 3UN ("the scheme"). The accommodation will be provided to homeless and potentially homeless households. At the end of the scheme the site will be disposed of on the open market for a capital receipt.

2.0 Recommendations

- 2.1 That the Executive approve the use of Knowles House to provide temporary accommodation to persons in housing need arising under Part VII of the Housing Act 1996 for a period of 2 years, and possibly extending to 4 years.
- 2.2 The Executive to note that the scheme will not proceed if planning permission for change of use is not granted.
- 2.3 That the Executive delegates authority to the Assistant Director of Housing, Regeneration and Major Projects, to award the proposed call-off contract from the Council's Private Managed Temporary Accommodation Framework Agreement to the successful tenderer for the scheme for an initial period of 2 years (with the option to extend the scheme for a further two years) pursuant

to the Council's Private Managed Temporary Accommodation Framework Agreement conditions of contract.

- 2.4 That the Executive approves the grant of a short term lease/licence at a peppercorn or nominal rent to the successful tenderer for the purpose of the performance of the contract, such lease to be ancillary to and run concurrently with the contract if considered expedient by the Assistant Director of Regeneration and Major Projects, Property and Asset Management, in consultation with the Director of Legal and Procurement on terms to be agreed by the officers. Rental income will be received from the non-secure tenancies placed within the scheme.
- 2.5 That the Executive approves the use of Housing capital funding to the value of £50k for the works required to refurbish the building and bring it into use for the scheme.
- 2.6 That the Executive approves the disposal of the Knowles House site at the end of the scheme for a capital receipt and provide delegated authority to the Assistant Director of Regeneration and Major Projects, Property and Asset Management, to agree the terms of the transaction in conjunction with the Director of Finance and Corporate Services.

3.0 Detail

Background

- 3.1 The Knowles House Site is situated at 51 Longstone Avenue, Harlesden, London NW10 3UN. The property was formerly used as a residential care home but was decommissioned in December 2011 following Executive decision because the building was not fit for purpose. The property is currently vacant and secured by guardians.
- 3.2 The Council owns the site freehold. The site is approximately 4,877 sq m (0.488 ha) and has three Council-owned buildings situated on it, the property known as Knowles House, which also incorporates a separate annexed section on the ground floor known as Anansi Nursery (which was decommissioned in 2007), and the Westbrook Community Day Centre provided to the rear of Knowles House.
- 3.3 The Knowles House building is a three-storey building constructed in the 1970's. Each floor has a disabled shower room with WC and the ground floor has a lounge/dining area, activity room, kitchen, large dining room and staff office. The site includes gardens and car parking spaces. The Knowles House building is shown in appendix 1.
- 3.4 The site is not currently included within the Council's Capital Disposals Programme and the Council's Major Projects Review Panel has approved a business case to retain the site and re-use the Knowles House building to provide bed and breakfast accommodation for a temporary duration to help the Council meet its statutory duties during a period of Welfare Reform which is giving rise to additional pressures to the Housing service. The business

case also identified revenue income from the scheme to the Council's Property and Asset Management budget.

- 3.5 The scheme refers only to the Knowles House building and excludes Anansi Nursery and Westbrook Community Day Centre buildings which, following board approval, are being market tested independently of the proposed scheme because they are uneconomical to bring into use for that purpose. They have also therefore been excluded from the financial appraisal of the scheme.
- 3.6 The Knowles House building is in good condition overall but will require a capital investment of circa £50k to bring the building into use, which will be met by Housing capital funding as confirmed by the Assistant Director of Housing, Regeneration and Major Projects. Any additional capital costs for the building's refurbishment are to be borne by the successful contractor.

Options appraisal

- 3.7 An options appraisal identified the following uses:

Table 1.0 – Summary of options

Option	Description
1	Temporary B&B scheme under option a, b or c followed by disposal at end of scheme: a) Contract management out; b) Leasing arrangement; c) Managed by Council.
2	Immediate disposal of the entire site for a capital receipt.
3	Do nothing – leave the building vacant.

Preferred option

- 3.8 The preferred option is option 1 (a) to use Knowles House for bed and breakfast accommodation for homeless households on a temporary basis for an initial period of 2 years (and possibly extending up to a maximum period of 4 years) followed by disposal of the entire site, which would include Anansi Nursery and Westbrook Community Day Centre buildings, for a capital receipt. This option brings benefits to the Housing service and is also more favourable in Net Present Value terms than if the building was sold immediately and over other options.
- 3.9 Under this option the Council would be required to enter into a management agreement with a contractor to run and manage the scheme on the Council's behalf. The contractor will be selected through a mini tendering exercise using the Council's Private Managed Temporary Accommodation Framework

Agreement. The tender will be for the daily fee per room for the management of the service payable by the Council to the Contractor. The successful contractor will receive a capital grant of £50k from the Council to carry out works to the building to bring it into use. The Council will require consent from the Secretary of State to delegate its housing management functions pursuant to section 27 of the Housing Act 1985 regarding the management of the accommodation at Knowles House under the housing management agreement to the contractor. However, it will not be necessary to apply to the Secretary of State for specific consent if the Council can rely on the grounds set out under the General Approval for Housing Management Agreements 2009, which covers general consents under section 27 of the Housing Act 1985.

- 3.10 The Council will have full and exclusive nomination rights to the scheme. In return, 95% occupancy is to be guaranteed by the Council to the Contractor.
- 3.11 The service provided by the contractor under the management agreement will include property management and maintenance services, provision of housing office and support to tenants. Under the contract, the Council will be responsible for rent collection from the non-secure tenants.
- 3.12 Under the contract the Council will pay a management fee to the contractor for which the Council will receive a 100% of the rental income generated by the scheme. The management fee will be offset by the rental income received and the balance (the net rental income) will accrue to the Property and Asset Management budget. The estimated rental income and management fees are shown in appendix 2. The extent of the potential rent arrears and bad debt has been estimated and incorporated into the financial appraisal.
- 3.13 The scheme is a cost-effective way of providing temporary accommodation because the management fees paid by the Council are covered by the rent. There will be minimum property standards and service standards specified by the Council, and the contractor will be expected to provide a high-quality housing management service. Performance will be monitored through performance indicators and regular monitoring meetings between the contractor and the Council's housing department.
- 3.14 At the end of the scheme (circa 2-4 years) the proposal is to dispose of the entire site for a capital receipt to facilitate redevelopment of the land. The estimated capital receipt is shown in appendix 2. The Council's cost of disposing of the site will be funded from the capital receipt and the balance will accrue to the funding of the Council's Capital Programme.
- 3.15 The scheme will be subject to planning permission for a change of use being approved.

Discounted options

- 3.16 Members to note that option 1 (b) of leasing the building to a housing provider would require the Council to undertake a new tender in respect of the contract because we would not be able to use the Council's Private Managed

Temporary Accommodation Framework which is solely a management agreement. A new tender exercise would give rise to a much longer lead in time to the start of the scheme which is not desirable considering the vulnerability of the building from vandalism and squatting and the interim loss of rental income that would result.

- 3.17 Option 1 (c) (management by the Council) is estimated to cost the Council more than the contracting out option because of the mobilisation costs involved and because the Council would not be able to meet the efficiencies deliverable by specialist housing providers who run this type of scheme as part of their core business.
- 3.18 The housing benefit subsidy impact for the Council is estimated to be the same for options 1 (a), 1 (b) and 1 (c).
- 3.19 Option 2 of selling the site immediately does not provide benefits to the Housing service or capture the revenue benefits of the scheme.
- 3.20 Option 3 of doing nothing has no strategic fit and is costing the Council hold costs and security costs. Currently the property is the focus of vandalism and fly-tipping which is blighting the wider area.
- 3.21 The Net Present Value of benefits of each option is shown in appendix 3.

The scheme

- 3.22 The scheme will accommodate interim placements of households made by the Council under Section 188 Housing Act 1996 ("HA96"), while homelessness enquiries are undertaken. If the Council decides it has a duty to house the household, they will be moved to longer-term accommodation as soon as a suitable property becomes available.
- 3.23 Wherever possible the Council will avoid placing families with dependent children, pregnant women, and young people aged 16/17 in bed and breakfast accommodation. Where no other suitable accommodation exists and such placements are necessary, the Council will move these households to more suitable self-contained accommodation within six weeks.
- 3.24 The Council's temporary accommodation policy takes into account the statutory requirements on local authorities in respect of suitability of accommodation, including Suitability Orders, and the Homelessness Code of Guidance 2006.
- 3.25 The proposal is expected to accommodate forty-five 1, and possibly some 2, bedroom bed and breakfast units for the interim placements of households under Section 188 HA96. In addition, there will be two 1 bedroom and one 2 bedroom self-contained units. The occupiers will be non-secure licensees/tenants of the Council. The Council will rely on ground 4 of Schedule 1 of the Housing Act 1985 which means that the occupiers will be treated as non-secure tenants/licensees as the Council are housing these

occupiers pursuant to their homelessness functions under Part VII of the Housing Act 1996.

Demand

- 3.26 The extent of demand for temporary accommodation and its limited supply in Brent is likely to be exacerbated by the new Local Housing Allowance caps being implemented as part of the Welfare Reforms, which will render some private units as unaffordable to be used as temporary accommodation. The number of out of borough placements is also expected to rise as the Council seeks to procure properties in more affordable areas to minimise subsidy losses incurred.
- 3.27 There are approximately 350 households in nightly paid accommodation and demand is not expected to fall within the next two years. There is deemed to be sufficient demand from the relevant client groups to ensure approximately 95% occupancy rate throughout the duration of the initial period of the scheme (i.e. 2 years). A review of the level of demand will be assessed towards the end of the initial period of the scheme to establish if an extension of the scheme is required or whether the site can be brought forward for disposal.
- 3.28 In addition, the Council also currently uses other forms of temporary accommodation including other forms of bed and breakfast accommodation, private sector leasing (PSL), housing association leasing (HALs) and the utilisation of social housing stock which are likely to be under pressure from increased demand.

Procurement

- 3.29 The framework agreement used will be the Housing service's multi-provider Framework Agreement for the Private Management of Temporary Accommodation set up and established in July 2011 ("the Framework Agreement"). The Framework Agreement will govern the relationship between the Council and the appointed contractor in respect of the provision of services by the contractor to the Council and to other contracting bodies.
- 3.30 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k and works contracts exceeding £1,000,000 shall be referred to the Executive for approval.
- 3.31 Generally the question of whether the contract is one for services or goods will be determined by which component has the greater value. In this case, the initial refurbishment works are only incidental to the provision of services, and therefore the contract is a services contract.
- 3.32 The estimated value of the temporary accommodation contract over the initial two-year life of the contract is shown in appendix 2. In this case, under the Council's Standing Orders and Financial Regulations, a competitive tendering process is normally required. However, the proposed scheme and contract shall be procured under the Council's competitively procured Framework

Agreement via a mini competition exercise with the appointed framework contractors, therefore, negating the requirement to undertake a formal tendering exercise.

3.33 The contract will be awarded to the most economically advantageous tender and the submissions will be evaluated on price and on the extent to which they meet the qualitative evaluation criteria.

3.34 The mini competition tender exercise will include a provision that the scheme cannot commence before planning permission is granted.

Pre Tender Considerations, award criteria and weightings

3.35 The main pre-tender considerations have been set out below and detailed in the contract documentation:

Ref	Requirement	Response										
(i)	The nature of the service	To manage temporary accommodation scheme at Knowles House; such accommodation is to be let to homeless households nominated by the Council.										
(ii)	Estimated value	Shown in appendix 2.										
(iii)	The contract term	2 years with the option to extend the contract provision for a further maximum period of 2 years.										
(iv)	The tender procedure to be adopted	<p>Procurement via a Mini Competition exercise under the Council’s Private Managed Accommodation Framework Agreement.</p> <p>Stage One: Under the terms of a “mini competition”, admission to perform this contract will be restricted to one of the existing seventeen (17) providers on the Private Managed Accommodation (PMA) Framework who were previously selected under the Council’s full tendering process and thus have already satisfied the initial assessment.</p> <p>Stage Two: The Council will evaluate the submitted method statement(s) based upon 30% quality and 70% price to appoint the successful contractor.</p>										
(v)	The procurement timetable – the dates shown are target dates	<table><tr><td>Executive decision</td><td>April 2013</td></tr><tr><td>Adverts placed</td><td>TBC</td></tr><tr><td>Invite tenders</td><td>TBC</td></tr><tr><td>Tender return</td><td>TBC</td></tr><tr><td>Tender evaluation</td><td>TBC</td></tr></table>	Executive decision	April 2013	Adverts placed	TBC	Invite tenders	TBC	Tender return	TBC	Tender evaluation	TBC
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		Delegated authority TBC Contract award TBC Contract start July 2013
(vi)	The evaluation criteria and process	<p>Evaluation Criteria & Process</p> <p>Quality (30%)</p> <p><u>Hostel Refurbishment (15%)</u> In this method statement, tenderers are invited to outline their refurbishment proposals for Knowles House to bring the building up to the full availability standards.</p> <p><u>Repairs and maintenance (10%)</u> In this method statement, tenderers are invited to outline their approach to the borough's requirements with respect to the standard of the building, repairs and maintenance as detailed in the specification.</p> <p><u>Complaints Handling (3%)</u> In this method statement, tenderers are invited to outline their approach to dealing with complaints and hostel management issues.</p> <p><u>Anti-social behaviour (2%)</u> In this method statement, tenderers are invited to outline their approach to dealing with anti-social behaviour.</p> <p>Price Price will consist of 70% of the evaluation weightings.</p> <p>Tenders will be evaluated by a panel comprising officers from Housing and Property and Asset Management departments. The panel may also include a representative from Finance and Legal departments if required.</p>
(vii)	Any risks associated with entering the contract	<ul style="list-style-type: none"> • Rent arrears; • Bad debt; • Occupancy rate falls short of expected levels; • Performance of contractor fails to meet required standards; <p>Risks to be mitigated through effective</p>

		management of the contract.
(viii)	The Council's Best Value duties	The competition provided by the mini-tendering exercise will assist the Council in achieving best value for this service.
(ix)	Any staffing implications, including TUPE and pensions	None.
(x)	The relevant financial, legal and other considerations	As set out in the appropriate sections of this document.

Consultation and planning

- 3.36 The main policy relating to hostels is set out in CP21 of Brent's Core Strategy 2010. In the supporting text for this policy it states that the intention of the policy is to ensure that there is locally appropriate provision for all types of accommodation including non self-contained accommodation, such as hostels for households without children (including key workers and students).
- 3.37 Planning officers have advised that the proposed change of use would need to demonstrate that the scheme will meet a local need and that it would not result in an over-concentration of such facilities within the local area, and this is deemed to be the case.
- 3.38 The key risk identified is the failure to secure planning permission. Housing and Property and Asset Management departments will liaise with planning officers to ensure the proposed scheme is acceptable. It should be noted that the management agreement with the contractor would only be signed when a satisfactory planning permission is secured.
- 3.39 Timetable (estimate)

Executive Decision finalised	April 2013
Planning for change of use from residential care home to hostel	May - June 2013
Tender for Contractors to carry out work	May 2013
Start on site	June 2013
Completion of works and start of scheme	July 2013
Review of demand	July 2015
Extension/End of scheme	July 2015 - July 2017
Disposal	July - September 2017

4.0 Financial Implications

- 4.1 The financial model for the scheme is shown in appendix 2.

- 4.2 The Council will retain responsibility for major works and repairs to the building as the building will remain exclusively in the Council's legal ownership.
- 4.3 The revenue benefits (net rental income) will accrue to the Council's Property and Asset Management budget.
- 4.4 The property is not currently included in the Council's Capital Disposals Programme, and as such the proposal within this report will not impact on existing funding forecasts for the overall Capital Programme. At the point of disposal this will be an additional receipt to the funding of the Capital Programme and could reduce the requirement to undertake an equivalent level of unsupported borrowing for a balanced position.
- 4.5 The Council will pay £50k for the works required to refurbish the building and bring it into use for the scheme, and this will be funded from within existing Housing Capital Budgets.

5.0 Legal Implications

- 5.1 The requirement to provide temporary accommodation to persons in housing need arises under Part VII of the Housing Act 1996 ("the 1996 Act"). The Council is bound by statute under section 193 of the 1996 Act to provide temporary accommodation to homeless applicants who satisfy the following criteria: they are homeless or threatened with homelessness, they are eligible for assistance, they are in priority need of accommodation, they have a local connection with the Borough and they are not intentionally homeless. The circumstances in which the Council will cease to be subject to any such duty are set out in section 196(6)-(7B) of the 1996 Act, which include the applicant accepting an offer of accommodation under Part VI of the 1996 Act under the Council's allocation scheme and accepting an offer of an assured tenancy from a private landlord.
- 5.2 The Council also has an interim duty to accommodate homeless applicants in temporary accommodation under section 188(1) of the 1996 Housing Act pending a decision regarding their homelessness applications if the Council has reason to believe that such applicants may be homeless, eligible for assistance and have a priority need of accommodation. That duty ceases once a decision is made and if the decision is that the applicant does not qualify for assistance under Part VII of the 1996 Act, the homeless applicant has the right to request a review of such a decision and in those circumstances, the Council has a discretion (as opposed to a duty) under section 188(3) of the 1996 Act to house the homeless applicant in temporary accommodation pending a review by the Council of its decision. If the decision is that the homeless applicant qualifies for assistance under Part VII of the 1996 Act, the Council is under a duty to provide temporary accommodation under section 193 of the 1996 Act as set out in the previous paragraph.

- 5.3 When Councils are housing homeless persons in temporary accommodation and granting tenancies/licensees pursuant to its homelessness functions under Part VII of the Housing Act 1996, they will not be secure tenants/licensees on account of ground 4 of Schedule 1 of the Housing Act 1985.
- 5.4 Consent from the Secretary of State is required for the Council to delegate its housing management functions pursuant to section 27 of the Housing Act 1985 regarding the management of the accommodation at Knowles House under the housing management agreement to the contractor. However, it will not be necessary to apply to the Secretary of State for specific consent if the Council can rely on the grounds set out under the General Approval for Housing Management Agreements 2009 ("the General Consent"), which covers general consents under section 27 of the Housing Act 1985. It is likely that the housing management agreement for Knowles House will come under the General Consent mentioned above as it relates to less than ten houses. However, in order to rely on the General Consent, the housing management agreement must not be of a duration lasting more than five years and the process in selecting the organisation to enter into the housing management agreement with the Council must be carried out in a fair and open manner and in accordance with EU law. Legal advice will be obtained before making a final decision on whether to rely on the General Consent or to apply to the Secretary of State for specific consent under section 27 of the Housing Act 1985 for the Council to delegate its housing management functions relating to Knowles House.
- 5.5 It may be expedient to grant a short term contracted out lease/licence to the successful contractor ancillary to the contract at a peppercorn or nominal rent for the purpose of the performance of the contract as temporary accommodation.
- 5.6 Officers are proposing to procure the Contractor that will provide housing services at Knowles House on the Council's behalf, off the EU compliant Private Managed Accommodation Framework Agreement via a mini competition. All 17 framework contractors will be invited to participate in the mini competition exercise in accordance with the Framework Agreement terms and conditions. The mini competition will be undertaken using the award criteria and weightings stated above at Para. 3.35 and will be evaluated by selected officers of the Council appointed as part of the evaluation panel.
- 5.7 Following conclusion of the mini competition and selection of a successful contractor, subject to delegated authority being granted by Members, the Council will enter into a call-off contract for the scheme on the conditions of contract set out in the Framework Agreement.
- 5.8 At the end of the scheme, disposal of the site on the open market will satisfy the best consideration requirement as set out in section 123 of the Local Government Act 1972.

6.0 Diversity Implications

- 6.1 The Housing Resource Centre's Equality Impact Assessment regarding homelessness and lettings identified that current policy is specifically designed to ensure that those who are less able to access their own housing solutions are assisted.
- 6.2 The refurbished service will provide improved quality of service for people in housing need. An Equalities Impact Assessment will be carried out in relation to this service. The contractor will be required to have in place equality policies and action plans and to provide fair access to the service to all members of Brent's diverse communities who meet the eligibility criteria.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 None

Background Papers

Appendices:

Appendix 1: Site plan

Appendix 2: Financial appraisal

Appendix 3: Net present value of options

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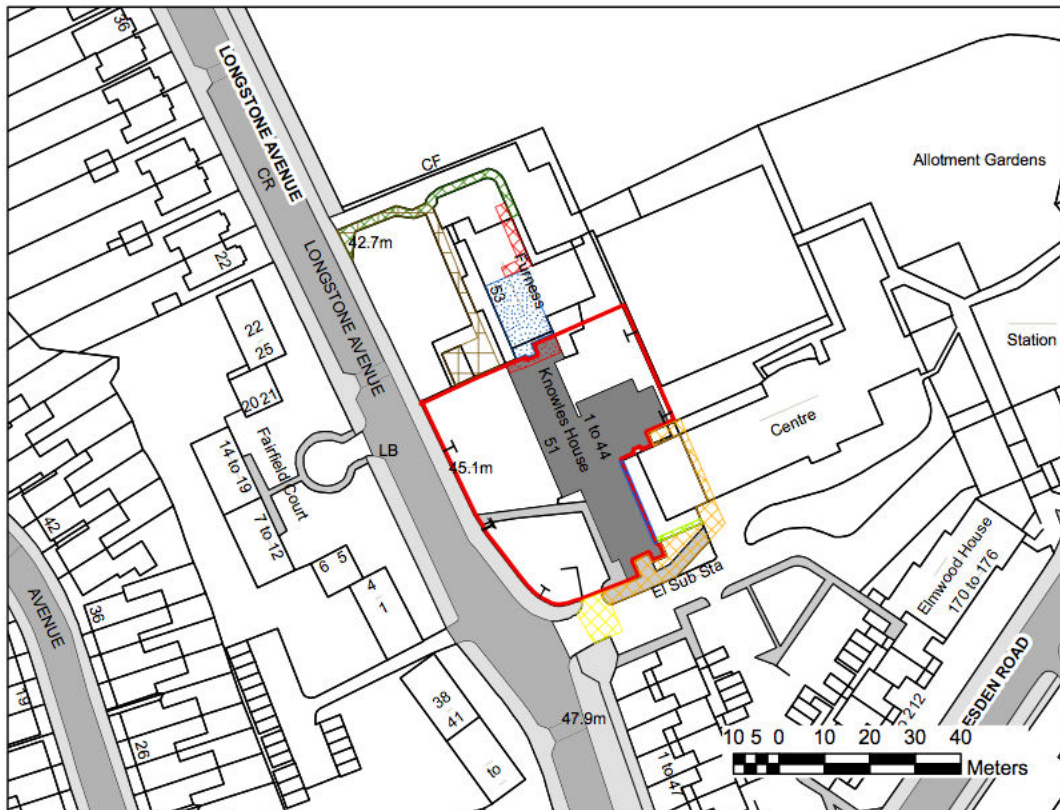
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Appendix 1: Site plan

51 Longstone Avenue, London, NW10 3UN



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| Leasehold Demise | Access to Meters |
| ⊥ Boundaries to be maintained | Premises at 1st Floor Included in Demise |
| Leased Building Extent | Utilities Room (Right of Access for No 53) |
| Vehicular Access | Escape Route Across Rooftop & Stairs |
| Pedestrian Access Only | Escape Route Across Grounds |
| Access reserved for Westbrook Day Centre | Escape Route Across Westbrook |



Brent

1:1,250 Plan to stated scale if printed at A4.

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NORTH

