



Cabinet
15 December 2014

**Report from the Strategic Director of
Regeneration and Growth**

For Action

Wards affected:
Kenton
Barnhill

**Temporary Accommodation: Hotel Leasing and Brent House
Conversion**

Appendices 1, 2 and 3 are Not for Publication

1.0 Summary

- 1.1 This report requests authority to acquire one-year leases of three hotels to provide emergency accommodation to homeless households.
- 1.2 The report also requests authority to grant a lease for the use of Brent House for emergency accommodation for a limited period, subject to planning permission.
- 1.3 These arrangements are designed to assist the Council in meeting its statutory emergency housing obligations to homeless households at a time of increasing demand, and to minimise the cost of such provision.

2.0 Recommendations

- 2.1 That Cabinet agrees to enter into the lease for the three named hotels as set out in Appendix 2 of this report for a term of 12 months and to delegate agreement of the final lease to the Operational Director, Property and Projects in consultation with the Director of Legal and Procurement.
- 2.2 That Cabinet agrees to an exemption from Contract Standing Order 86(b) to permit the direct award to Altwood Properties Ltd of 3 contracts for management services ancillary to the leases detailed in 2.1 above.

- 2.3 That Cabinet agrees to grant a short-term lease at a market rent to the successful tenderer or tenderers of the Brent House emergency accommodation scheme together with a related nominations agreement
- 2.4 That Cabinet delegates authority to the Operational Director of Property and Projects in conjunction with the Chief Finance Officer to agree the final contractual arrangements for the Brent House emergency accommodation scheme.

3.0 Background

- 3.1 The Council continues to experience a high level of statutory homeless acceptances generating a requirement to provide emergency and temporary accommodation.
- 3.2 The supply of temporary accommodation across London has been falling due to a highly inflated housing market where landlords are able to secure higher rents from private tenants than they can from offering their properties for use as temporary accommodation.
- 3.3 The authority has so far managed to meet its statutory duty to provide temporary accommodation but at increasing cost and with a high-level of reliance on Bed & Breakfast accommodation. The Council is currently not in compliance with the statutory homeless order that requires that families are not placed in private non self-contained accommodation for more than six weeks. This rule does not apply to provision where the accommodation is owned or managed by a local authority, a registered social landlord or a qualifying voluntary organisation (by the Council using its own premises or leased premises).
- 3.4 In summary, the statutory six week rule states that Bed & Breakfast accommodation is not suitable accommodation for homeless families with children and households that include a pregnant woman unless there is no alternative accommodation available and then only for a maximum of six weeks. If the accommodation is “owned or managed” by a housing authority, a registered social landlord or a qualifying voluntary organisation, then this is deemed not to be bed and breakfast accommodation and will not come within this statutory six week rule.
- 3.5 A number of projects are underway to reduce reliance on temporary accommodation and on Bed & Breakfast accommodation in particular in order to improve the quality of provision and to reduce cost. Central to the proposed approach is to gain access to an increased number of private rented properties outside Brent for discharge of the Council’s housing duty where suitable, and the launch of a lettings agency by BHP in early 2015 to increase access to private rented properties within the borough. Alternatives to private Bed & Breakfast accommodation are also being developed including, as proposed in this report, the short-term use of Brent House.

- 3.6 While these initiatives will make a significant contribution a high level of demand for such accommodation will remain in the short-term at least.
- 3.7 The proposed leasing of the three hotels and the redevelopment of Brent House for use as emergency accommodation will assist in meeting expected levels of demand for temporary accommodation by securing exclusive use of the three hotels and through the additional provision at Brent House. This will make a significant contribution to the council achieving and maintaining compliance with the statutory homelessness 6-week limit. The temporary use of Brent House will additionally reduce the cost of temporary accommodation provision.

Leased Hotels

- 3.8 Discussions have been undertaken with a number of private hotel providers of temporary accommodation in the borough to identify those prepared to enter into lease arrangements with the Council. A number of hotel providers were approached but only one supplier in Brent was prepared to offer a leasing arrangement. The search was then extended to include hotels outside of Brent, but within London. It has proved possible to agree the terms of lease arrangements for three hotels; two in Brent and one in Hounslow.
- 3.9 It is proposed that the three hotels will be leased for a period of twelve months, with a three-month break-clause which will enable the Council to terminate the arrangement during the lease term if expected levels of demand do not materialise or can be met through other more cost-effective provision.
- 3.10 The proposed lease terms are detailed in Appendix 2.
- 3.11 In addition to leasing the 3 hotels, it is proposed to enter into ancillary service contracts with Altwood Properties Ltd for the hotels' day-to-day management such as cleaning, booking in and out etc. The Council is unable to acquire the leases without the ancillary service contracts. As detailed in the table at Appendix 2, these contracts are individually and indeed collectively classed as Low Value Contracts under the Council's Contract Standing Orders.
- 3.12 The supplier has agreed that the lease terms will provide management services equivalent to those offered in other local authority temporary housing schemes. This will include three-monthly inspections and regular management liaison meetings. The Council will ensure under the lease arrangements that it is not exposed to any additional risks or costs such as repairs, insurance, etc.
- 3.13 All three hotels are established and already used by Brent and other authorities as emergency temporary accommodation. Leasing these hotels will provide Brent with exclusive rights to use the accommodation for the duration of the lease. At the beginning of December 2014 there were 24 rooms in the three hotels occupied by clients from other authorities. The Council will liaise with the other authorities to agree the timing for such households to be provided with alternative temporary accommodation by the responsible authority.

- 3.14 It is anticipated that the lease arrangements will commence before the end of December 2014 and terminate in December 2015.

Brent House Temporary Conversion

- 3.15 Brent House, situated at 349 - 357 High Road Wembley HA9 6BZ, comprises a vacant 10 storey office building with on-site parking. The Council and its tenant (Air France) have both moved their operations from Brent House to the new Civic Centre.
- 3.16 As approved by the Executive in December 2013, contracts have been exchanged with Henley Homes Ltd for the disposal of Brent House on a subject to planning basis. Henley Homes Ltd are currently forecasting approximately 12 months to secure planning consent at which point the Council will complete the sale of Brent House.
- 3.17 In the interim, the proposal is that the Council will lease Brent House to a suitable provider or providers for the provision of emergency accommodation for approximately 6 months. The provider(s) will be selected through the invitation of quotations on the open market.
- 3.18 The provider(s) will be granted a short-term lease at a market rent to occupy and convert the premises for the scheme and they will then let the scheme in accordance with a nomination agreement with the Council. The provider(s) will bear the cost of conversion and be responsible for the day-to day-management and maintenance of the accommodation.
- 3.19 The existing office space is to be converted into non self-contained accommodation with shared facilities across eight of the nine floors (or as many floors as possible). The scheme is expected to accommodate between 40-60 units of non-self contained accommodation (approximately 120 persons at any one time). The scheme will require planning permission for a temporary change of use.
- 3.20 The accommodation will be provided to homeless (and potentially homeless) households under Part VII of the Housing Act 1996. At the end of the scheme the provider(s) will be required to hand-back the building to the Council with vacant possession and free of fittings and temporary installations put in for the scheme. Households in occupation will be provided with alternative suitable temporary accommodation in advance of vacant possession being required.
- 3.21 The Council will have full and exclusive nomination rights to the scheme. In return, a predetermined amount of rental income and 95% occupancy is to be guaranteed by the Council to the provider(s).
- 3.22 The scheme's financial viability is dependent on a number of factors and a key factor is the provider's ability to run the scheme for a sufficient period before needs to be handed back to the Council in order to complete its sale. There is therefore considerable time pressure to get the scheme up and running as quickly as possible. Based on previous market experience it is estimated that

the scheme will break-even or generate a surplus over a six-month period but the actual position will depend on tendered costs for conversion and management. The scheme will reduce the level of reliance on, and associated costs of, private Bed & Breakfast accommodation.

- 3.23 Under the Henley Homes contract, Brent is obligated to provide vacant possession on completion, with the Completion Date being subject to planning consent.
- 3.24 Henley also has the right to waive the planning condition, which could make the Completion Date earlier. In this circumstance, the Completion Date will be 30 working days after the date on which Henley waives the planning condition. The short term lease for Brent House will provide for the contract provisions with Henley Homes in particular a break clause given the Completion Date may be brought forward at any time.
- 3.25 If Brent is unable to provide vacant possession then penalties under the Henley Homes contract will apply to the Council . See Appendix 1 for further information.
- 3.26 The Henley Homes contract provides Henley some rights to carry out surveys before completion requiring that this right is subject to causing as little disturbance and damage as possible and making good at its own costs indemnifying Brent. Henley Homes has expressed a desire to undertake an early pre-demolition asbestos survey for which we have asked that a risk assessment and method statement be provided. It should be noted that further requests for survey work may be forthcoming in the future.
- 3.27 Indicative Timetable

Activity	By
Marketing of scheme & selection of provider(s)	December 2014
Planning permission	February - March 2015
Completion of conversion works	March - May 2015
Grant of lease and scheme commencement	May - June 2015
Hand-back	October – November 2015

4.0 Risks

- 4.1 There a number of risks that relate to the proposed arrangements:

Hotel Leasing

- 4.2 Reputational – The Council will need to ensure that the accommodation provided is of a satisfactory standard. Altwood are established providers and have provided a high quality service in another temporary accommodation scheme at Knowles House. The hotel leases will be managed under a similar regime, which includes regular inspections & liaison meetings.
- 4.3 Financial – It will be essential that the lease terms exclude any costs additional to the lease rent (e.g. maintenance, insurance costs). This has

been agreed in principle with Altwood and the lease agreement will be drafted on this basis.

- 4.4 If rooms are left vacant the Council would incur unnecessary costs. The Council's current use of B&B accommodation is much greater than the provision under these arrangements and use of the leased accommodation will be prioritised above booking of other B&B accommodation. There is very little likelihood of not being able to occupy all the available accommodation all of the time.

Brent House

- 4.4 Market – There is a risk that there will be limited or no interest in the proposed lease arrangement from providers because of its short-term nature. Established providers have been alerted to this opportunity and there has been initial interest expressed.
- 4.5 Planning - The temporary accommodation scheme will only go ahead if planning permission for a temporary change of use is granted and the conversion works can be carried out within the timescales indicated. Consideration may be given to begin the conversion works in advance of planning consent being obtained in order to maximise the period the accommodation is available. In the event that planning consent was not then obtained the costs would be abortive and fall to the Council.
- 4.6 Financial - The lease to the successful tenderer will contain an appropriate break clause to avoid or reduce the Council's exposure to penalties under the Henley Homes Contract (see appendix 1). However, if the Council exercises its break clause under the lease then penalties may be payable to the provider of the temporary accommodation scheme who will seek to recover their cost of conversion and loss of profit. It is not possible to quantify the risk or amount of penalty payable to the provider until the content of the successful bid is known. Council officers will review the strategic and operational risks for the temporary accommodation scheme once the tender for a provider has been completed and a financial appraisal is carried out. It is worth noting that the risk of Henley Homes' waiving the planning condition and seeking early completion is considered to have a low probability of occurring. In the event that the 30 day notice was exercised the Council would need to secure alternative emergency provision which may need to be at an increased cost in the short-term or may require occupants to be placed in temporary accommodation outside of London.
- 4.7 Reputational – The Brent House scheme is short-term and it will be necessary to provide alternative temporary accommodation at the end of the lease arrangement. The Housing Needs Service will begin planning the departure phase of this project at least two months before the lease expiration date. This will allow for a gradual transition and reduce the likelihood of having to use more expensive commercial hotels to re-accommodate the decanted households.

- 4.8 The table below summarises the risk assessment after taking account of the risk management and mitigations outlined above.

1 = low 5 = high

Risk	Nature	Likelihood	Impact	Assessment
Hotel Leasing				
The accommodation does not meet the required standards	Reputational	1	3	3
Unexpected costs additional to the lease rent	Financial	1	3	3
The Council is unable to use all of the leased accommodation	Financial	1	2	2
Brent House				
There is limited or no interest from potential providers	Market	2	5	10
Planning consent not obtained	Planning	2	5	10
Henley exercise their right to request early completion	Financial	1	4	4
The Council has to reimburse the provider for the cost of conversion	Financial	1	4	4
The Council is unable to provide alternative temporary accommodation at lease-end in or near to Brent	Reputational	2	3	6

5.0 Financial Implications

- 5.1 The proposed terms of the leases identified in Appendix 2 are set at rates that are equivalent to the cost of bed and breakfast accommodation agreed by Pan-London authorities and as such will not generate any direct saving within the Temporary Accommodation budget. The agreement of the leases will however secure these units at the current rate and will minimise the risk of incurring additional costs that could otherwise arise.
- 5.2 The conversion of Brent House for use as emergency accommodation is, subject to the return of acceptable tenders, projected to provide a financial return to the Council over a six-month period. The exact amount will be determined by the content of the successful tender bid. The Council will

charge a lease rental for the property and all running costs will be charged to the successful provider. In addition this provision is expected to reduce expenditure on private Bed & Breakfast accommodation within the Temporary Accommodation budget and thereby alleviate some of the current pressure on that budget.

- 5.3 Bids that result in the Council incurring no additional costs will be the only ones considered for this proposal.

If any costs are incurred in respect of conversion works in advance of planning consent being secured, and this is not forthcoming these abortive costs would be met from the earmarked Temporary Accommodation reserve.

- 5.4 The Council is currently liable for the payment of business rates of around £500,000 per annum on Brent House whilst it remains an empty property. Temporary use of the building will result in that liability being negated with responsibility being transferred to the Operator.
- 5.5 The lease rent received for the Brent House temporary accommodation scheme will be retained by the Property and Projects department.

6.0 Legal Implications

- 6.1 In respect of the three hotels, the proposed leases will be for a fixed term of twelve months subject to a three month break clause by the Council.
- 6.2 The Council will be the tenant of the three hotels and this will assist the Council in complying with the Homelessness (Suitability of Accommodation) (England) Order 2003.
- 6.3 The Homelessness (Suitability of Accommodation) (England) Order 2003 ("the 2003 Order") provides that Bed & Breakfast accommodation is not suitable accommodation for homeless families with children and households that include a pregnant woman unless there is no alternative accommodation available and then only for a maximum of six weeks.
- 6.4 In the 2003 Order, Bed & Breakfast accommodation is defined as follows:

"accommodation (whether or not breakfast is included) —
(a) which is not separate and self-contained premises; and
(b) in which any one of the following amenities is shared by more than one household—
(i) a toilet;
(ii) personal washing facilities;
(iii) cooking facilities,
but does not include accommodation which is owned or managed by a local housing authority, a registered social landlord or a voluntary organisation as defined in section 180(3) of the Housing Act 1996.

Brent Council is a local housing authority.

- 6.5 Where a local authority accepts a duty to secure temporary accommodation for a homeless household that is unintentionally homeless and in priority need under Part 7 of the Housing Act 1996, the temporary accommodation provided must be 'suitable.' The Homelessness Code of Guidance 2006 provides advice and guidance for local authorities on using Bed & Breakfast accommodation for discharging a re-housing duty and part of paragraph 16.28 of the said Code of Guidance is quoted below:

“Bed and Breakfast (B&B) accommodation caters for very short-term stays only and generally will afford residents only limited privacy and may lack certain important amenities, such as cooking and laundry facilities. Consequently, where possible, housing authorities should avoid using B&B hotels to discharge a duty to secure accommodation for applicants, unless, in the very limited circumstances where it is likely to be the case, it is the most appropriate option for an applicant...”

- 6.6 Annex 17 of The Homelessness Code of Guidance 2006 sets out recommended minimum standards for bed and breakfast accommodation which includes management standards, space standards for sleeping accommodation installation for heating, facilities for the storage, preparation and cooking of food and disposal of waste water, toilet and personal washing facilities and other facilities.
- 6.7 In addition to leasing the 3 hotels, it is proposed to enter into ancillary service contracts which will in summary comprise cleaning, booking in and out, etc. As detailed in the table at Appendix 2, these contracts are individually and indeed collectively below the threshold for application of the Public Contracts Regulations 2006. The contracts are also individually and collectively classed as Low Value Contracts under the Council's Contract Standing Orders and Financial Regulations. CSO 86(b) provides that no formal tendering procedures apply to Low Value Contracts but that at least 3 written quotes must be sought or alternatively the contracts procured through the Online Market Place. As detailed at paragraph 3.11, the council is unable to lease the hotels without entering into ancillary service contracts. In the circumstances an exemption from the requirements of CSO 86(b) is sought to enable the direct award of the 3 ancillary service contracts to Attwood Properties Limited. Cabinet is able to grant such exemption pursuant to CSO 84(a)
- 6.8 As indicated in paragraphs 3.15 to 3.28, to further assist with improving the quality of temporary accommodation and reducing cost, the proposal is to lease Brent House to a third party and enter into a related nominations agreement with that third party. The lease and nominations agreement will be awarded following an open marketing exercise following the council's usual procedures.
- 6.9 The lease to a third party would be for the provision of temporary short term accommodation and it is proposed it would be let it on a short term contracted out lease at a market rent. The lease would require the third party to carry out

works to convert Brent House to provide temporary accommodation. The lease would be for a six month term but with provision allowing the council to terminate early should it be necessary for the Council to provide vacant possession to Henley Homes earlier than envisaged as set out in paragraph 3.24.

- 6.10 Any penalties that the Council incurs as a result of a failure by the third party leasing Brent House to provide vacant possession to Henley Homes on 30 days notice, would need to be passed through to that party through the lease.
- 6.11 In addition to the need to include provision in the lease for vacant possession to be given to the Council on termination at any time the Council will also need to include provision allowing Henley Homes to be given access to carry out pre-demolition asbestos and other site surveys.
- 6.12 As indicated in paragraph 3.21, the nominations agreement will provide that the Council will have full and exclusive nominations rights to Brent House and in return the Council will guarantee a level of rental income and occupancy.

7.0 Diversity Implications

- 7.1 There are equalities or diversity implications arising from this report. The use of emergency accommodation is a normal part of the operation of the service. As such the way that the accommodation is acquired and financed does not materially affect service users.

8.0 Staffing/Accommodation Implications

- 8.1 There is no immediate staffing or accommodation issues arising from this report.

Background Papers

None

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