

ADULTS AND COMMUNITIES SCRUTINY COMMITTEE	AGENDA ITEM No. 4
28 OCTOBER 2019	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Corporate Director, Resources	
Cabinet Member(s) responsible:	Councillor Steve Allen, Cabinet Member for Housing, Culture and Recreation collaboration with Councillor Peter Hiller, Cabinet Member for Strategic Planning and Commercial Strategy and Investments in consultation with Councillor John Holdich, Leader of the Council.	
Contact Officer(s):	Peter Carpenter, Acting Corporate Director, Resources	Tel. 07920 160122

RESPONSE TO CALL-IN OF EXECUTIVE DECISION - AUTHORITY FOR THE ACQUISITION OF HOUSING FOR TEMPORARY ACCOMMODATION - OCT19/CMDN/45

R E C O M M E N D A T I O N S	
FROM: Cabinet Member for Housing Culture and Recreation and Cabinet Member for Strategic Planning and Commercial Strategy and Investments	Deadline date: N/A
<p>It is recommended that Adults and Communities Scrutiny Committee:</p> <ol style="list-style-type: none"> 1. Considers the response to the call in of the Acquisition of Housing for Temporary Accommodation Report which sets out how Member concerns have been met and also contains previously exempt financial and condition survey information. 2. After considering the evidence presented to the meeting, <ol style="list-style-type: none"> i) Decide to take no further action in relation to the Cabinet Member Decision Notice for the purchase of the temporary accommodation, in which case the original executive decision will be effective immediately; or, ii) Decide to refer the decision back to the Cabinet Member for reconsideration, setting out in writing the nature of its concerns and any alternative recommendations. The Cabinet Member must then reconsider the matter within 5 working days, taking into account the concerns of the Scrutiny Committee, before making a final decision. 	

1. ORIGIN OF REPORT

1.1 This report follows a call-in request of the Cabinet Member Decision Notice published on 10 October 2019 titled "Authority for the acquisition of housing for temporary accommodation".

2. PURPOSE AND REASON FOR REPORT

2.1 The report is being presented following a call-in request by Councillors Jamil and Yasin.

This report sets out the response to the call-in of the Acquisition of Housing for Temporary

Accommodation Report and sets out how Member concerns have been met. It also contains previously exempt financial and condition survey information.

The call-in was made on the basis of concerns that the decision does not follow principles of good decision-making set out in Part 2, Article 11 (Decision Making) of the Council's Constitution, specifically:

f) that it did not follow procedures correctly and be fair.

The reasons given for call in include:

1. The report has not been shared with Group Leaders, this is a lack of transparency.
2. The Council are paying well above the valuation of the valuation report.
3. Not considered value for money as paying above the market value.
4. Should have gone through the scrutiny panel.

In addition, it recommends that the Council

1. Negotiate fair market price.
2. Take decision through scrutiny committee.
3. Process of purchase should have been open and transparent.
4. Security of tenure through Landlord Tenant Act 1954 to safeguard the Council's interest and the tenants.

The Council's Scrutiny Committee Procedure Rules state:

"10.16 Having considered the call-in and the reasons given, the relevant Committee may either:

(a) refer it back to the decision making person or body for reconsideration, setting out in writing the nature of its concerns and any alternative recommendations. This will normally be considered at the decision making body's next schedule meeting;

(b) if it considers that the decision is outside the Council's Budget and Policy Framework, refer the matter to the Council after seeking the advice of the Monitoring Officer and/or Chief Financial Officer; or

(c) decide to take no further action, in which case the original executive decision will be effective immediately.

10.17 If referred back to the decision taker they will then reconsider whether to amend the decision before adopting a final decision. Once a decision has been reconsidered by the decision taker it may not be the subject of further call-in.

10.18 Where the decision was taken by the Executive a meeting will be held to reconsider the decision within ten working days of the referral, or soon after with the agreement of the Leader. Where the decision was made by an individual, the individual will reconsider within five working days of the referral.

10.19 If a decision relates to an executive function only the Cabinet can ultimately decide the matter, as long as it is in accordance with the Council's Budget and Policy Framework."

2.2 This report is for the Adults and Communities Scrutiny Committee to consider under its Terms of Reference No. Part 3, Section 4 - Overview and Scrutiny Functions, paragraph 3, Scrutiny, sub paragraph 3.3 Hold the Executive to account for the discharge of functions in the following ways:

- (f) By exercising the right to call-in, for reconsideration, decisions made but not yet implemented by the Executive or key decisions which have been delegated to an officer;

2.3 This report links to the Council priority of the provision of Temporary Accommodation

3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	No	If yes, date for Cabinet meeting	N/a
Date for relevant Council meeting if applicable	n/a	Date for submission to Government Dept. (<i>Please specify which Government Dept.</i>)	N/a

4. **BACKGROUND AND KEY ISSUES**

4.1 Peterborough, as with most other towns and cities, continues to face significant increases in demand from households who are at risk of becoming homeless. In 2018/19, the numbers of households presenting to the council as homeless had increased by 56% compared to the previous year (851 households). This level of demand has continued into 2019/20.

At time of writing, there are 415 households in temporary accommodation in Peterborough, accommodated as follows:

- St Michael's Gate – 81
- Elizabeth Court – 51
- Council-owned properties – 60
- Leased properties – 50
- Hostels - 75
- Bed and breakfast – 98

The supply of permanent affordable accommodation has not kept pace with this rising demand, albeit that the council has taken a number of proactive measures to address this and continues to do so. The increased demand coupled with insufficient availability of permanent housing, means that our reliance on self-contained temporary accommodation, such as that at St Michael's Gate, is essential.

Although we continue to build our supply of temporary accommodation, it remains exceptionally limited, with most of the options listed above at maximum occupancy. Despite growing demand, since December 2018, all homeless households have been accommodated in Peterborough; this is vital to maintain a connection with Peterborough, to ensure continuity of education and employment, and to ensure access to vital services is not broken. However, available space is exceptionally limited.

St Michael's Gate has provided essential temporary accommodation at a time of significant need. As can be seen by the demand data above, this need is likely to continue for some time, and securing these assets forms a vital part of our approach to addressing demand and keeping homeless households in Peterborough. St Michael's Gate has also offered the opportunity to manage the cases of a high number of homeless households in one location, bringing benefits to the housing team and building a network of residents facing similar challenges. On average, households remain at St Michael's Gate for between 9 and 12 months, helping to create community and continuity. Since 2016, St Michael's Gate has provided vital temporary accommodation to 382 homeless families

Purchasing the properties guarantees their availability for our own households for the long term. Whilst leasing would have provided a short term guarantee, the financial assessment clearly shows that purchase provides better value to the council, and a lease, by its nature, is time limited, meaning that at the end of the term around 80 households would be made homeless placing

significant demand on an already stretched system.

As has been mentioned, work is continuing at pace to increase the supply of accommodation to ease the requirement for temporary housing. As this number grows, the demand for temporary housing will reduce, meaning that we will be in a position to convert St Michael's Gate to much needed permanent housing for those on the housing register.

As was the case when the council first entered into a lease to use the properties at St Michael's Gate, it is very likely that, if this council did not lease or purchase these properties, they would be purchased by another council. We are aware already of councils purchasing housing in Peterborough in order to accommodate homeless households, and there is relatively frequent use of some Peterborough B&B rooms for out-of-area households. Up to 83 households being made homeless in the current climate would present a huge challenge to the council and would be significantly disruptive for the affected households. In addition, meeting the needs of hundreds of out-of-area households being accommodated in Peterborough (as they will inevitably access local public services) will place a significant financial and demand burden on the public sector system.

4.2 The following bullets outline how the Council was contacted about the possible purchase of the building which led to an offer of £13.4m being made to purchase the site:

- Stef & Philips initially contacted the Council to discuss the lease renewal as the current lease expires on 01 November 2019.
- Stef & Philips's lease renewal proposal was to increase the existing rent from £966k to £1,032 million plus additional annual charges of £38k.
- At the same time Stef & Philips suggested the whole site would be available to purchase at £14m (*not £13.8m as suggested in the BSM report*).
- After some negotiation NPS, acting for the Council, agreed a purchase at £13.38m subject to survey and contract.

Barker Storey Matthews were approached to independently value the potential purchase of the site. This valuation is attached as Appendix A.

- The valuation approach to this type of asset is usually to capitalise the rent.
- Barker Storey Matthews point out that the rent is far higher than the market rent; that is what is driving the high asset valuation by the owners. If it was a market rent then (assuming a 10% discount for quantum) Stef & Philips could only justify a maximum value of £9.49m
- The alternative to purchasing the property is for the Council to continue to pay a rent which is far in excess of the market value; a purchase will remove the prospects of further rental increases.

Threat of eviction

NPS or the Council are not aware whether other buyers may have been approached regarding a purchase. However, if the Council did not make an offer there is the likelihood that another Social Landlord or Council would have bid for the building.

Given the lease is outside of the provisions of the Landlord & Tenant 1954 Act once the lease expires on 1st November the landlord can evict without notice.

4.3

A summary of the costs of the alternative schemes is included within Section 9

If the Council decided to continue to lease the properties from Steph & Philips for a further 5 years the net cost to the Council will be over £3 million. While this is cheaper than placing those families currently living in the properties in St Michael's Gate into B&B accommodation, the net cost to the Council for the purchase of the properties over the same period would be lower, at a cost of

£1.3 million.

As referred to above, at the end of the lease the properties will be subject to further rent review, and the Council may not be able to afford to continue leasing the properties, especially if another Council decides it is prepared to pay more for the properties. However, if the properties are purchased, they will be in the ownership of the Council and any property value appreciation will be to the Council's advantage.

As agreed at Cabinet on 23 September an application has been made to the Secretary of State to open an HRA account. Assuming this project progresses as envisaged these properties will be able to be transferred to that Account and so the funding of this purchase from that point will be able to benefit from the lower cost of borrowing available.

- 4.4 Sections 4.1 to 4.3 set out the process that the Council followed in the lead up to the Cabinet Member Report being issued. Further to this, Group Leaders were briefed on the matter on the 7th October. At this meeting the issue of the price being more than what was set out in the valuation report was raised and the Interim Director of Resources made it clear that, in reality, the purchase is worth far more to the Council than the valuation due to the factors raised in Sections 4.1 to 4.3 above.

In addition, as part of this Call-In process, given where the Council is now in the negotiation process, both the initial Exempt Appendix and the Valuation Report can be made public and are attached as Appendices A and B.

The Valuation Reports were circulated to Group Leaders on Tuesday 15th October as a confidential item.

5. CONSULTATION

- 5.1 PCC's Housing Needs and Financial departments have both been consulted in the drafting of this report

Group Leaders have been consulted

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 The information contained in this report responds to the main points of the Call-In report namely:

The report has not been shared with Group Leaders, this is a lack of transparency. The information in the report was discussed with Group Leaders at the meeting on the 7th October. The valuation report was shared with Group Leaders on the 15th October, before the Call-In Motion was submitted and as part of this report will be made public.

The Council are paying well above the valuation of the valuation report and is not considered value for money as paying above the market value. This report sets out in Sections 4.1 to 4.4 that the purchase reflects the value to the buyer, in this case the Council.

Should have gone through the scrutiny panel. This is a normal property transaction and has been progressed as per Council regulations.

7. REASON FOR THE RECOMMENDATION

- 7.1 That the Council has followed all its processes and has undertaken a transaction that is value for

money. As such, the Cabinet Member can now approve the CMDN.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 As part of the original CMDN a number of options including purchasing and continuing to lease were considered.

9. IMPLICATIONS

Financial Implications

- 9.1 The summary of Costs over five years for the Alternative Options is contained in the table below. Further information is contained in Appendix B – which was the original exempt appendix to the Report.

It shows quite clearly, as did the original CMDN, that the decision to purchase was significantly better financially for the Council than continuing to lease – especially given that lease costs would have increased.

	Comparison of Alternatives for St Michael's Gate			
	Present Leasing Costs	Continue to lease for 5 years	Purchase within General Fund	Purchase within HRA
Net cost per annum	537	790	294	127
Net cost over 5 years	2,477	3,170	1,304	430

NOTE:

This table reflects the Council's revised borrowing costs from PWLB **which were raised by 1% for all borrowing from 9 October 2019, after the CMDN was published.** Therefore, the Exempt Annex reflects the cost of borrowing to the Council at that time rather than the increased costs which are reflected above.

The above table demonstrates that the purchase of the properties at St Michael's Gate will be cheaper than continuing to lease the properties from Steph & Philips.

Within the Council's accounts the purchase of the properties will be initially funded through the Invest to Save Budget but will be able to be transferred to the HRA on delivery of the HRA business case. The criteria for using the Invest to Save budget will be satisfied by the savings made by ensuring the families currently accommodated within St Michael's Gate are not made homeless when the current lease expires. The costs of accommodating these families would be over £1.2m per annum. The Council will have security over its investment as it will retain the properties purchased and will benefit from any capital appreciation in the value of the properties.

Legal Implications

- 9.2 The Council can rely upon its investment powers in section 12 Local Government Act 2003 and upon section 120, Local Government Act 1972 to acquire these properties. The Council has a duty under the Housing Act 1996 (Part VII), as amended by the Homelessness Act 2002 to ensure that accommodation is made available for homeless applicants who are owed a full housing duty by the Council.

Equalities Implications

- 9.3 N/A

Rural Implications

9.4 N/A

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 N/A

11. APPENDICES

11.1 Appendix 1 – The Valuation Report

Appendix 2 - The Original exempt report

This page is intentionally left blank