



Lease with Stef and Philips Limited for the use of St. Michael’s Gate, Parnwell, as interim accommodation for homeless families
Councillor David Seaton, Cabinet Member for Resources
September 2016
Deadline date: September 2016

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Resources Wendi Ogle-Welbourn – Corporate Director for People and Communities Simon Machen - Corporate Director Growth and Regeneration
Is this a Key Decision?	YES If yes has it been included on the Forward Plan : No <i>Urgency Provisions Invoked</i>
Is this decision eligible for call-in?	Yes
Does this Public report have any annex that contains exempt information?	No
Is this a project and if so has it been registered on Verto?	NO Verto number: N/A

RECOMMENDATIONS
The Cabinet Member for Resources is recommended to:
<ol style="list-style-type: none"> 1. Give approval for the Council to enter into a three year lease with a break clause at the end of the second year, with Stef and Philips regarding the use of St Michael’s Gate, Parnwell as interim accommodation for homeless families at a £966,337 per annum and a total cost of up to £2,899,011 for a three year period.

1. SUMMARY OF MAIN ISSUES

1.1 This report seeks approval of the Cabinet Member for Resources to enter into a lease for the duration of three years with the option to break at the end of year two, with Stef and Philips Limited for land at St Michael’s Gate, Parnwell, as interim accommodation for homeless families.

2. PURPOSE OF THIS REPORT

2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.8 (a) of Part 3 of the Constitution in accordance with the terms of their portfolio at paragraph (j).

2.2 Urgency and Special Urgency Provision have been evoked in relation to waiving both the requirement to publish a key decision on the forward plan and to waive the 5 clear days before the decision can be taken. This is on the basis of securing the lease with Stef and

Philips and preventing the risk of a different local authority accessing the properties at St Michael's Gate.

3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. **DETAILS OF DECISION REQUIRED**

- 4.1 To enter into a lease with Stef and Philips for the provision of interim accommodation for a period three years with the option for the Council to terminate the lease at the end of the second year. The accommodation is located at St Michael's Gate, Parnwell.
- 4.2 The Council will take a lease with vacant possession from Stef and Philips in respect of their freehold land at St Michael's Gate. The Council will subsequently grant interim tenancy agreements to individual occupiers but the properties will be managed by Stef and Philips under the terms of the lease

5. **CONSULTATION**

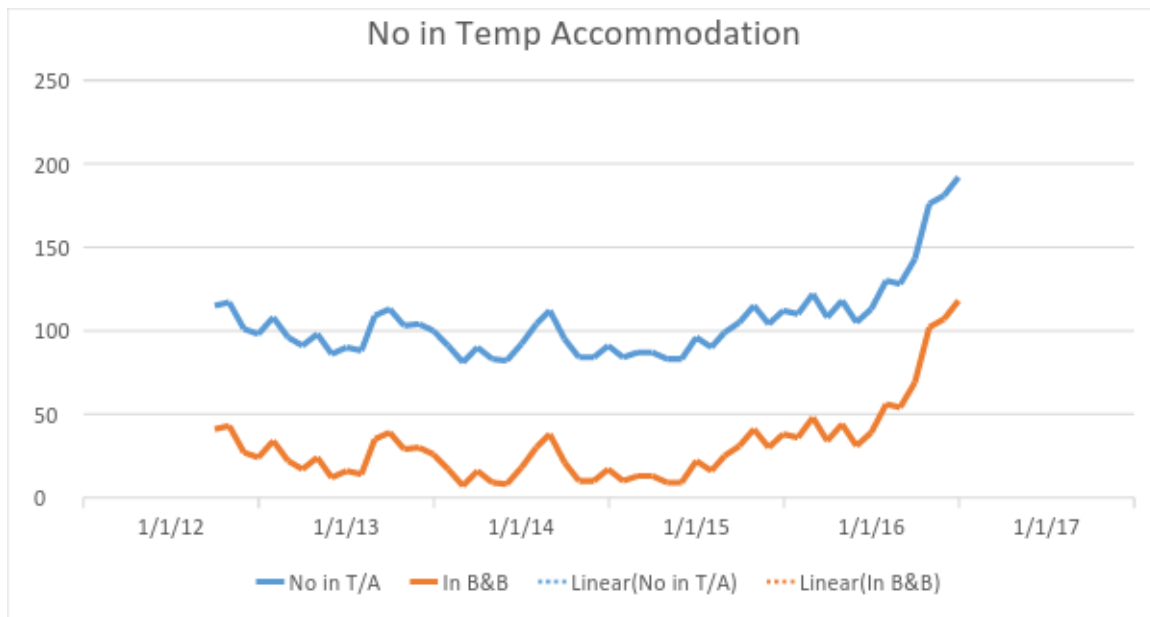
- 5.1 Consultation has taken place with legal services, housing needs, the safer peterborough partnership, ward councillors and the parnwell residence association.

6. **ANTICIPATED OUTCOMES**

- 6.1 Approve the grant of a lease from Stef and Philips Limited as detailed in the 'Recommendation' above.

7. **REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION**

- 7.1 There has been an increase in the use of temporary accommodation which is used to meet the Council's statutory duties towards homeless households. Aside from the impacts on households, the most significant financial impact is caused by the amount we are able to reclaim via Housing Benefit Subsidy when non self-contained (i.e. bed and breakfast) accommodation is used; typically B&B accommodation costs the Council c.£480 per week per room but the amount reclaimable is just c.£92 per week (capped at the Local Housing Allowance 1-bedroom rate).
- 7.2 The council finds itself in this position for a number of reasons, most notably the sharp decline in available affordable or social housing of the correct size coupled with the full impacts of welfare reform (typically the spare room subsidy, benefit cap and the start of Universal Credit rollout in Peterborough). We have managed homelessness well in Peterborough over many years whilst local authorities elsewhere have continued to struggle to control impacts and costs, but Peterborough too is now catching up with other areas. The following chart shows the number of people in temporary accommodation, including a sharp increase from April 2016.



- 7.3 The current full year forecast is a pressure of £1.444m. Based on levels of usage of non-self-contained accommodation remaining static the forecast full year impact for 2017/18 is anticipated to be £1.965m. However, there are further changes being made to welfare benefits that could negatively impact on this position:
- a reduction to the existing housing benefit cap due at the end of November, further impacting the difference between the subsidy rate and the current non self-contained accommodation rate paid by the council
 - the continued roll-out of Universal Credit impacting the way housing benefit is received (direct to the tenant rather than to the landlord further increasing the risk of non-payment of rent)

7.4 It is not viable for the council to continue to operate in this way and consideration has to be given to alternative methods of sourcing interim accommodation for homeless people in Peterborough.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 Option 1 - Do nothing

The current position is unviable and puts the council under increasing financial pressure, this option has therefore been discounted.

8.2 Option 2 - Do not use St. Michael's Gate

If we decide not to enter into a lease with Stef and Philips they will still seek vacant possession of all 74 units and these will then be offered to other local authorities from London Boroughs to accommodate their own homeless households. The impact of a large number of households from outside the city being accommodated in Peterborough is likely to add significant pressure on to public resources, this option has therefore been discounted as it will increase the existing pressures on services.

8.3 Option 3 - Develop alternative interim accommodation

Consideration is being given to option to developing our own interim accommodation, this will be a much longer lead in time and will not be able to support the immediate temporary accommodation need.

8.4 Option 4 - Commit to a longer term Lease with Stef and Philips Limited

Consideration was given to a longer term arrangement for St Michaels Gate, however it is anticipated that alternative options around interim accommodation, as per option will be in place by year 3, therefore it is not necessary to enter into a longer term lease at this stage.

9. IMPLICATIONS

Financial Implications

9.1 The nightly rates proposed by Stef and Philips are significantly lower than the costs being incurred by the Council for non-self-contained accommodation:

Accommodation type	Nightly rate	Number of units	Total annual cost
HMO/1 Bed flat	£18.50	40	£270,100
2 bedroom House	£22.50	6	£49,275
3 Bedroom House	£32.50	41	£486,362
4 Bedroom House	£40.00	11	£160,600
Totals		98*	£966,337

*The total number of properties is currently 74, however this number will be increased to 98 by Stef and Philips, who will convert a number of properties into HMOs.

9.2 Additionally, the Housing Benefit Subsidy the Council can reclaim if we use self-contained temporary accommodation is more generous and would reduce the forecast overspend significantly. The table below shows the costs of B&B accommodation compared to the Stef and Philips offer and the levels of subsidy the council could claim over the period of a full year.

Bedroom Need	Number of households	B&B costs	HB subsidy level	Net costs	Stef and Philips Costs	HB subsidy level	Net Costs	Saving for the council
HMO/1 bedroom	40	£988,400	£192,005	£796,395	£270,100	£270,100	£0	£796,395
2 bedroom	6	£149,760	£28,801	£120,959	£49,275	£49,275	£0	£120,959
3 Bedroom	41	£1,023,360	£196,805	£826,555	£486,362	£391,393	£109,464 (inc £14,495 void)	£717,091
4 Bedroom	11	£274,560	£52,801	£221,759	£160,600	£128,763	£46,332 (inc £14,495 void)	175,427

Voids	3%	28,990	0	28,990	28,990	0	£28,990 (cost for illustratio n only, not part of totals)	£0
Totals	98	£2,436,08 0	£470,412	£1,965,66 8	£966,337	£839,531	£155,79 6	£1,809 872

N.B. The table above assumes that all of the accommodation units are fully occupied bar turnover which will account for approximately 3% void costs throughout the year which is offset against 3 and 4 bedroom need equally. There is a risk that if homelessness numbers fall, the assumed 3% void costs could be higher as the Council would be paying for accommodation that is not utilised and therefore Housing Benefit could not be claimed. However, current trends suggest this risk is low

- 9.4 There will be an initial cost to the council of stamp duty land tax of around £30,987
- 9.5 The cost of using St Michael's Gate includes additional services provided by the Landlord, Stef and Philips Limited. They will commit to a refurbishment where necessary so that units are in a good standard, as they become vacant at no additional cost to the council. The landlord will also provide the council with property management service delivered by an on site caretaker and supported by the back office staff.

Legal Implications

- 9.6 This type of arrangement would be exempt from the Public Contract Regulations (Reg 10(1) refers to acquisition or rental of land/existing buildings being exempt from the Regs).
- 9.7 The Council will be granting tenancy agreements and will become landlord to the individual tenants. The agreement with Stef and Philips will pass on the responsibility for this to them. The agreements will be for interim accommodation so will not create secure council tenancies

Equalities Implications

- 9.8 This decision and its implementation must adhere to equality and Human rights legislation under the relevant Acts.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

- 10.1 None.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

None.