

CABINET	DATE 29 January 2024	ITEM NO 8
TITLE Ten Year Lease Agreements	WARDS All Wards and out of borough areas	
CHIEF OFFICER Director of Place and Growth	CABINET MEMBER Planning, Estate Renewal and Development	
DECISION CLASSIFICATION <ul style="list-style-type: none"> • Key • 28-day notice issued: 24/09/2024 • Subject to call in • Non-exempt Report Exempt Appendix One - Exempt by virtue of paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) (Information relating to the financial or business affairs of any particular person including the authority holding that information).	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes	

1. **Decision Required**

This report makes the following recommendations to the decision-maker:

- 1.1. To agree the model Heads of Terms and business plan parameters, as set out in exempt Appendix One of this report, for a ten-year lease to be offered to residential landlords for the acquisition of accommodation to house homeless households requiring temporary accommodation.
- 1.2 To note that the potential rent payable under each lease acquisition may generate an annual financial deficit, to be funded from the General Fund (GF). The proposal aims to deliver a GF cost reduction, reducing the current TA budget pressures.
- 1.3 To note that some properties acquired on a ten-year lease may be located outside of the borough.
- 1.4 To note the process mapping for the delivery of this initiative, as set out in Appendix Two of this report.

- 1.5 To delegate authority to the Director of Place and Growth to negotiate and agree the details of each lease agreement.
- 1.6 To agree to treat the information contained in the Exempt Appendix One to this report as exempt information in accordance with the provisions of paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) (information relating to the financial or business affairs of any particular person including the authority holding that information). To agree that this exempt information contained in the Exempt Appendix One shall not be released to the press or public.

2. Links to Our Greenwich missions

2.1 This report relates to the Council's agreed missions as follows:

- Mission Two: People will not experience discrimination.
- Mission Five: Everyone in Greenwich is safer and feels safer.
- Mission Six: People in Greenwich have access to a safe and secure home that meets their need.
- Mission Fourteen: The voluntary, community and socially motivated sectors in Greenwich are strengthened and able to provide more support to those in need.
- Mission Seventeen: We design our services around the needs of our residents.

2.2 A key aim and objective within the 2021-2026 Housing and Homelessness Strategy, is ensuring the supply of high-quality homes. The proposals within this report for the leasing of homes to be used as temporary accommodation for homeless households, makes a significant contribution to the delivery of this aim and objective. There are currently more than 27,000 households waiting on our housing register and approximately 2,000 homeless households living in temporary accommodation.

2.3 The requests for approval in this report also address the following priorities in the 2021- 2026 Housing Strategy:

Strand 1: Ensuring the supply of high-quality homes.

Strand 2: Tackling homelessness and ending rough sleeping.

Strand 3: Support for specific housing needs.

Strand 4: Safe and sustainable homes for all.

Strand 5: Building resilient and vibrant communities and neighbourhoods.

2.4 The increase in the supply of leased temporary accommodation which the recommendations within this report will deliver, will provide residents with a safe and well managed home, which contributes to making Greenwich a healthier and safer borough, and a great place to grow up.

3. Purpose of Report and Executive Summary

3.1 The purpose of this report is for Cabinet to approve the model Heads of Terms, as set out in exempt Appendix One, to enable officers to agree terms with residential landlords to lease properties for a period of ten years, to provide temporary accommodation for homeless households.

3.2 The Royal Borough of Greenwich (RBG) is facing an unprecedented demand for accommodation for homeless households. There are currently approximately 2,000 households in temporary accommodation, and new potential clients are regularly presenting themselves to the Council to be accepted as a homeless household.

3.3 Temporary accommodation for homeless households is currently provided through a variety of delivery arrangements such as: hotels, nightly let accommodation, properties acquired for homeless households, properties in the Housing Revenue Account and properties that are leased from private landlords on three-year leases.

3.4 The temporary accommodation which is provided by hotels, the nightly let arrangements and properties that are leased from private landlords on three-year leases, is expensive to provide and creates a revenue pressure in the General Fund. This is because the amount paid for these types of accommodation is greater than the amount a client can pay via housing benefit. The difference between the two amounts is funded by the General Fund.

3.5 Officers have been reviewing ways to provide temporary accommodation that both better meets the needs of the client group and reduces the cost pressure on the General Fund. As part of this review officers have developed a business plan for a ten-year lease, which reduces average current per unit deficit amounts for the provision of temporary accommodation.

- 3.6 Clients in hotels, nightly let accommodation and properties that are leased from private landlords on three-year leases can only claim housing benefit, when they need this form of support, at 90% of the 2011 Local Housing Allowance rates. Officers have received external legal advice that when the Council has a lease of a property for ten years or more, the property can be let to a homeless client at a rent equivalent to our acquired TA portfolio, currently set at a level in line with the 2024 Local Housing Allowance.
- 3.7 The difference in value between rents at 90% of the 2011 Local Housing Allowance and the current Local Housing Allowance, is an increase of approximately 65%. By increasing the amount of rent the client can afford for properties with a ten-year lease to the borough, the income into the business plan for these properties is increased, and therefore the average deficit to the General Fund is decreased. This is based on the assumption external landlord payments are maintained at a similar level.

4. Introduction and Background

- 4.1 Officers currently operate a leasing scheme with residential landlords which offers leases of three years in length, to provide temporary accommodation for homeless households. The leases for this scheme are procured and managed by the Housing Inclusion Service (HIS) and use a lease agreement and set of management and maintenance arrangements that are appropriate for a three-year lease.
- 4.2 The model Heads of Terms and business plan parameters outlined in exempt Appendix One of this report, define the set of legal, financial and management and maintenance parameters that the proposed ten-year leasing arrangement will follow. These parameters clearly set out both the business plan and legal agreements for this scheme, as the length of the lease requires clarity on the administration of these parameters to ensure that the financial and operational risks associated with a ten-year lease have been adequately assessed and accounted for.
- 4.3 Members should note that the proposed business plan parameters include the provision for an average annual financial deficit within the business plan assumptions for the management of the lease. Officers recognise that by agreeing to a ten-year lease which operates at an

annual deficit, the Council is obliged to fund that deficit over the course of the lease, with limited opportunity to withdraw from the lease. However, the Council has a statutory duty to provide temporary accommodation for an increasing number of clients who are presenting themselves as homeless households. Therefore, it is important to develop and implement a strategy to provide temporary accommodation at a reduction from current costs.

- 4.4 The financial deficit within the business plan is generated because the average annual costs for the management of the lease, is greater than the average annual income from the tenant, even when charged a rent at the current Local Housing Allowance. This difference is due to the requirement to offer landlords a competitive market value annual rent, as well as the management and maintenance cost associated with operating temporary accommodation.
- 4.5 The assumed average annual deficit modelled within the business plan for the ten-year lease acquisition programme, is less than the current average actual deficit costs for nightly let accommodation. It is forecast that each 10-year lease would reduce the cost of providing temporary accommodation, on average, by at least £4,000 per annum. This projected cost saving is likely to grow as suppliers of nightly let accommodation increase their rates to the Council, due to the unprecedented competition for the supply of this type of accommodation and increases to suppliers in their operational costs.
- 4.6 By assuming a maximum projected deficit position within the business plan for the ten-year lease acquisition programme, officers are better able to predict and manage the overall costs for the provision of temporary accommodation.
- 4.7 The proposed model Heads of Terms in exempt Appendix One of this report, is appropriate for the leasing of individual dwellings. This may result in more than one dwelling with the same landlord if individual properties are offered over time, but each property would be agreed under separate lease agreements. Should officers receive a proposal from a landlord for a collection of dwellings, to be agreed under a single ten-year lease, or a block with multiple dwellings within it to use as temporary accommodation, then a specific approval for the terms of such leases would be sought from Members.

- 4.8 To deliver the ten-year leasing scheme, officers propose to build on the current experience and processes in place for the delivery of the three-year residential leasing scheme. The process map for the delivery of the ten-year leasing scheme is set out in Appendix Two of this report.
- 4.9 Officers in both the Directorates of Housing and Safer Communities (H&SC) and of Place and Growth are involved in the up-front delivery of this initiative. This is because a lease of ten years in length is legally defined as a property acquisition, and under the terms of the Council's Scheme of Delegation all property acquisitions are the responsibility of Place and Growth. The Scheme of Delegation also states that all duties associated with acquiring leases and managing properties for homeless households are the responsibility of H&SC.
- 4.10 As part of the strategy to successfully acquire a significant portfolio of properties on a 10-year leasing scheme, officers will consider leasing existing properties owned by Registered Providers (RP's). It is possible that RP properties acquired on a 10-year lease may be in a poor state of repair. In this case the rent paid to the RP will be reduced to take account of the cost to RBG of any up-front refurbishment work that may be required to the property. It is not the intention of the Council to take on dilapidated properties, so this should be by exception with a valid rationale why this is appropriate. The aim of the scheme is that properties are immediately available for letting at the point of lease agreement.
- 4.11 Homeless households are currently placed in nightly let temporary accommodation which is located outside of the borough. These locations are predominantly in North Kent. While it is preference to provide temporary accommodation within the borough, there is may not be enough supply to do this for all clients. Therefore, officers may offer ten-year leases on properties located outside of the borough, if the properties meet the standards and financial parameters of the leasing scheme, to deliver the required number of properties that are available for use as temporary accommodation.
- 4.12 The model Heads of Terms for the ten-year lease assume that RBG will take responsibility for the delivery of day-to-day maintenance and all void works. To meet these lease obligations and ensure that clients in out of borough temporary accommodation receive the required

standard of service, officers will consider the appropriate procurement to deliver these services as required.

5. Available Options

5.1. Option One: Do nothing.

5.1.1 The disadvantages of this option are:

- It does not contribute to attempts to address the housing demand, cost and housing need across the borough.
- It will not contribute to the delivery of the 2021 – 2026 Housing Strategy
- The Council will not be able to acquire sufficient accommodation for homeless households at a financial level that reduces current per unit expenditure.

5.1.2 There are no advantages to this option.

5.2. Option Two: Defer the decision.

5.2.1 The disadvantages of this option are that by delaying the adoption of the recommendations within this report, officers will not be able to deliver the initiative, which will result in the extended use of hotels and nightly let forms of expensive temporary accommodation, which will continue to increase the budget pressure on the General Fund

5.2.2 There are no advantages to this option.

5.3. Option Three: Agree the decisions recommended within this report.

6. Preferred Option

6.1 Option three is recommended as this option enables the Council to directly intervene to increase the pace and quantum of housing delivery to meet the range of housing demand and need. This scheme will reduce the net cost of providing temporary accommodation, which at present is causing a significant budget pressure to the General Fund.

6.2 Agreement to the decisions proposed in this report will support the successful delivery of the Council's 2021 – 2026 Housing Strategy.

6.3 The key priorities set out in the 2021 – 2026 Housing Strategy which this option will deliver, are as follows:

Strand 1: Ensuring the supply of high-quality homes.

Strand 2: Tackling homelessness and ending rough sleeping.

Strand 3: Support for specific housing needs.

Strand 4: Safe and sustainable homes for all.

Strand 5: Building resilient and vibrant communities and neighbourhoods.

7. **Reasons for Recommendations**

7.1 The reasons for this recommendation are that the Council will be able to increase the supply of good quality housing for use as temporary accommodation for homeless households, at a cost that is below the amount the borough is currently paying for hotel and nightly let accommodation. This initiative, as part of the Temporary Accommodation Cost Reduction Programme, will decrease the number of households in hotel and emergency overnight accommodation and increase the amount of well-managed and maintained accommodation available for this client group.

8. **Consultation Results**

8.1 Residents have not been consulted on this proposal. There is no duty to consult on this proposal.

9. **Cross-Cutting Issues and Implications**

Issue	Implications	Sign-off
Legal including Human Rights Act	The decision-maker is asked to: <ol style="list-style-type: none"> 1. Agree the model Heads of Terms annexed. 2. Note the potential financial impact as set out below. 3. Note that some of the properties to be acquired may be located outside the borough. 	Lachlan Atcliffe, Assistant Head of Legal Services, 14 th November 2024

4. Note the process mapping for the acquisition of properties as set out in Appendix 2
5. To delegate authority to the Director of Place and Growth to agree the details of each lease agreement.

Under the Housing Act 1996 Part VII (as amended by the Homelessness Reduction Act 2017), the Council has a duty to provide suitable temporary accommodation to homeless households that fit the relevant criteria set out in the Act.

The Council's power to acquire properties is set out at s120 Local Government Act 1972, which states that a local authority may acquire any land by agreement for the purpose of any of their functions, or the benefit, improvement, or development of their area (including acquisition of a leasehold interest, per subsection 5). In this case the function will be providing suitable temporary accommodation to homeless households.

There is no statutory obligation in relation to the s120 power to acquire properties, subject to the Council's usual duty of reasonableness. Per s120(1) the power may explicitly be exercised outside the Council's area.

In addition, in discharging its functions under the Housing Act 1985, per Part II s9 of that Act the Council may provide accommodation by acquiring houses for that purpose, or by altering, enlarging, or improving a house so acquired.

	<p>Legal Services have examined the Heads of Terms and confirm they are compliant with the Council's statutory obligations. The report author should consult with Legal and Democratic Services regarding the drafting and execution of the leases to be agreed under these Terms.</p> <p>Legal Services note the requirements to provide or procure maintenance services to meet the proposed maintenance and reinstatement obligations in the Heads of Terms. Legal Services will examine any proposed service provision agreements in due course.</p>	
<p>Finance and other resources</p>	<p>Cabinet are requested to agree the model Heads of Terms and business plan parameters, as set out in exempt Appendix One, to enable officers to implement a 10-year leasing scheme to be offered to residential landlords for the acquisition of properties to be used as temporary accommodation.</p> <p>The Heads of Terms set out an indicative set of assumptions related to the cost of managing and maintaining properties acquired under this programme, which will result in a cost pressure to the General Fund. This cost pressure is potentially less than the current cost of the existing supply (nightly let accommodation), therefore forecast to generate a cost reduction, but is not forecast to achieve a balanced GF budget position in isolation.</p> <p>Appropriate budget will need to be identified to fund the proposals contained in this report, which is forecast to be</p>	<p>Jason Coniam Accountancy Business Change Manager 07/11/2024</p>

	<p>achieved by reallocating budget currently utilised to fund nightly let accommodation.</p> <p>Before any leases are agreed procurement of management and maintenance arrangements must be complete if these are not to be undertaken in house, to enable immediate provision of service to clients but also to ensure Heads of Terms assumptions are appropriate prior to any formal agreements.</p> <p>The agreement of leases should be undertaken on a phased basis so that a review of this proposal, both financially and from a service provision, can be undertaken. The leases potentially carry much greater financial risk than nightly let accommodation, with the Council sacrificing flexibility for a 10-year commitment at a potential lower cost. If that lower cost does not materialise, the advantage of 10-year leases is limited.</p> <p>Each lease agreement will give rise to financial implications in-line with accounting standards, which came into effect on 1 April 2024 (IFRS 16). Whilst the accounting adjustments do not impact cashflows linked to the contracts, each lease will create an asset and corresponding liability on the Council's Balance Sheet, which will be unwound over the term of the agreement. The resulting increase in the Council's Capital Financing Requirement, equivalent to the capitalised interest in the leased asset, will be reflected in the Council's Prudential Indicators.</p>	
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<p>Equalities</p>	<p>Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.</p> <p>The proposals in this report are intended to improve housing conditions and support a range of wider outcomes – in particular physical and mental wellbeing, health, and educational attainment.</p> <p>This report proposes the delivery of additional housing to be used as temporary accommodation. We know that residents in temporary accommodation receive incomes below the Borough average, and that black and minority ethnic communities are overrepresented in this form of accommodation. By increasing the amount of leased accommodation that is available as temporary accommodation, the Borough will be able to reduce inequalities and deprivation for some of the most disadvantaged families within our borough, improving outcomes and life chances for these households.</p> <p>This report contributes to the delivery of the Council’s Equality and Equity Charter and the Council’s Equality Objectives 2020-2024. The Equalities Charter actively promotes equality and works with partners and the community to ensure the Council’s services information and products are more accessible and inclusive. By providing</p>	<p>Nick Simons Housing New Supply Manager 16th September 2024</p>
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	<p>good quality housing for use as temporary accommodation for homeless households, the decisions within this report make a significant contribution to meeting the objectives of the Council's Equality and Equity Charter and the Council's Equality Objectives 2020-2024.</p>	
<p>Climate Change</p>	<p>The recommendations contained within this report comply with the objectives of the Carbon Neutral Plan as approved by Cabinet in November 2020. Officers will require leased properties to have a set standard of thermal efficiency.</p>	<p>Nick Simons Housing New Supply Manager 16th September 2024</p>
<p>Risk Management</p>	<p>The key risks associated with the proposals outlined within this report are that:</p> <p>The demand for rented and leased accommodation increases significantly, which allows property owners to increase the required premiums for leases beyond the agreed financial parameters within this report.</p> <p>It is difficult to implement mitigation measures on the local housing market. Should the market move significantly in any direction from where it is currently, then the programme delivery will become more challenging and there is a risk that the programme will not be delivered within the financial parameters agreed within this report.</p> <p>The Council's risk register already captures and addresses the risks associated with the failure to deliver temporary accommodation within the borough.</p>	<p>Nick Simons Housing New Supply Manager 16th September 2024</p>

<p>Community Engagement</p>	<p>There has not been any wider community engagement on the Decisions contained within this report. Members will understand that the location of the properties that will be purchased with the funding within this report are yet to be identified.</p> <p>Therefore, localised consultation on the implementation of the Decisions for approval within this report is difficult. However, the overall aim of this report, to supply good quality temporary accommodation which reduces the financial burden on the borough, have been widely consulted upon within other strategies and reports.</p>	<p>Nick Simons Housing New Supply Manager 16th September 2024</p>
<p>Housing & Safer Communities: Housing Needs & Tenancy</p>	<p>As set out in the report the ability to procure TA on 10-year leases will enable the council to increase the supply of good quality TA at lower cost to the authority, improving the service we provide to our homeless customers and easing the significant pressure of the council's general fund.</p> <p>This initiative is an important part of the council's Temporary Accommodation Cost Reduction Programme, through which we are striving to achieve a budget neutral TA service as soon as possible.</p> <p>The overall ambition of the Programme will only be fully met in the long term through significant changes in the national housing market and policy change at Governmental level.</p>	<p>Shaun Flook Assistant Director Housing Needs & Tenancy 03/10/2024</p>

<p>Housing & Safer Communities: Repairs and Investment</p>	<p>With regards to the repairs and maintenance of these properties Paragraph 4.12 states that:</p> <p>“Officers will consider the appropriate procurement to deliver these services as required”.</p> <p>Given the distance of these properties R&I would find it operationally difficult to provide these services in-house. However, if significant issues were to be realised with local arrangements for these properties the R&I will look at solutions as required.</p>	<p>Richard Parkin Senior Assistant Director of Repairs and Investment 04/10/2024</p>
<p>Place and Growth Property</p>	<p>This report seeks approval of the model Heads of Terms set out in Appendix One, which will form the basis of the specific Heads of Terms for ten-year leases of individual properties identified by Housing & Safer Communities.</p> <p>The model Heads of Terms are considered reasonable, taking into account the types of property that are likely to be leased under the proposed scheme.</p> <p>The specific terms for the acquisition of each individual property will be agreed in liaison with Place and Growth Property and will be approved under delegated authority by the Director Place and Growth.</p>	<p>Steve Dunevein Head of Property 07/10/2024</p>

10. Report Appendices

10.1 The following documents are to be published with and form part of the report:

Exempt Appendix One: Model Heads of Terms of Ten-Year Lease and Business Plan Parameters.

Appendix Two: Process Mapping and associated responsibilities for the delivery of the Ten-year lease business plan.

II. Background Papers

II.1 None.

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