



# Havering

LONDON BOROUGH

## OVERVIEW & SCRUTINY BOARD AGENDA

7.00 pm

Wednesday  
8 January 2025

Council Chamber,  
Havering Town Hall,  
Main Road, Romford

Members 12: Quorum 5

### COUNCILLORS:

#### Conservative Group (3)

Dilip Patel  
Keith Prince  
David Taylor

#### Labour Group (2)

Mandy Anderson  
Matthew Stanton

#### Residents' Association Independent Group (1)

Philip Ruck

#### Havering Residents' Group (5)

Philippa Crowder  
Laurance Garrard (Chairman)  
David Godwin  
Bryan Vincent  
Julie Wilkes

#### East Havering Residents (1)

Martin Goode

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For information about the meeting please contact:

Anthony Clements 01708 433065  
anthony.clements@oneSource.co.uk

Please would all Members and officers attending ensure they sit in their allocated seats as this will enable correct identification of participants on the meeting webcast.

***Under the Committee Procedure Rules within the Council's Constitution the Chairman of the meeting may exercise the powers conferred upon the Mayor in relation to the conduct of full Council meetings. As such, should any member of the public interrupt proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting while this takes place.***

***Excessive noise and talking should also be kept to a minimum whilst the meeting is in progress in order that the scheduled business may proceed as planned.***

#### **Protocol for members of the public wishing to report on meetings of the London Borough of Havering**

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

## **OVERVIEW AND SCRUTINY BOARD**

Under the Localism Act 2011 (s. 9F) each local authority is required by law to establish an overview and scrutiny function to support and scrutinise the Council's executive arrangements.

The Overview and Scrutiny Board acts as a vehicle by which the effectiveness of scrutiny is monitored and where work undertaken by themed sub-committees can be coordinated to avoid duplication and to ensure that areas of priority are being reviewed. The Board also scrutinises general management matters relating to the Council and further details are given in the terms of reference below. The Overview and Scrutiny Board has oversight of performance information submitted to the Council's executive and also leads on scrutiny of the Council budget and associated information. All requisitions or 'call-ins' of executive decisions are dealt with by the Board.

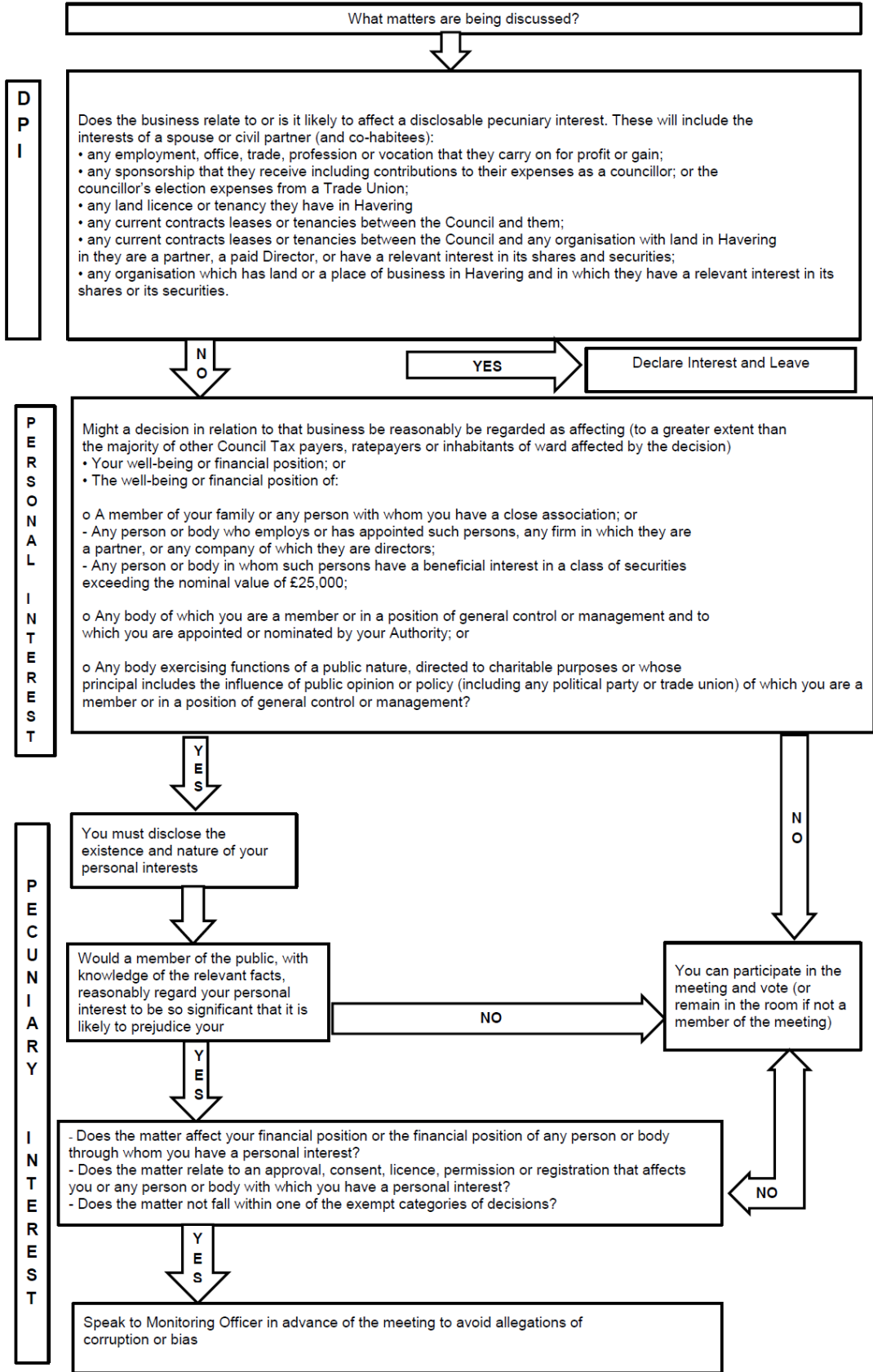
The Board is politically balanced and includes among its membership the Chairmen of the six themed Overview and Scrutiny Sub-Committees.

### **Terms of Reference:**

The areas scrutinised by the Board are:

- Strategy and commissioning
  - Partnerships with Business
  - Customer access
  - E-government and ICT
  - Finance (although each committee is responsible for budget processes that affect its area of oversight)
  - Human resources
  - Asset Management
  - Property resources
  - Facilities Management
  - Communications
  - Democratic Services
  - Social inclusion
  - Councillor Call for Action
-

**DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF**



## **AGENDA ITEMS**

### **1 CHAIRMAN'S ANNOUNCEMENTS**

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

### **2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS**

(if any) - receive.

### **3 DISCLOSURE OF INTERESTS**

Members are invited to disclose any interest in any of the items on the agenda at this point of the meeting.

*Members may still disclose any interest in an item at any time prior to the consideration of the matter.*

### **4 REQUISITION (CALL-IN) OF CABINET DECISION - OFFICE TO RESIDENTIAL CONVERSION TO ACCOMMODATE HOMELESS FAMILIES - CHESHAM HOUSE (Pages 7 - 50)**

Report and documentation attached (exempt appendices not available to press or public).

**Zena Smith**  
**Head of Committee and Election Services**

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# Overview & Scrutiny Board

8 January 2025

**Subject Heading:**

Call-in of Executive Decision -  
Office to residential conversion to  
accommodate homeless families –  
Chesham House

**SLT Lead:**

Gavin Milnthorpe – Deputy Director of  
Legal Services

**Report Author and contact details:**

Anthony Clements – Committee Services  
Manager  
anthony.clements@onesource.co.uk

**Policy context:**

The report deals with a statutory process.

**Financial summary:**

There is no significant financial impact  
from the statutory processes as these  
requirements are being met by existing  
budgets.

**The subject matter of this report deals with the following Council  
Objectives**

People - Supporting our residents to stay safe and well

Place - A great place to live, work and enjoy **X**

Resources - Enabling a resident-focused and resilient Council

## SUMMARY

In accordance with paragraph 17 of the Overview & Scrutiny Committee Rules, a requisition signed by at least six Members representing more than one Group (Councillors Pat Brown, Martin Goode, Jane Keane, Trevor McKeever, Matt Stanton and David Taylor) have called-in the Key Executive Decision dated 11 December 2024.

The grounds for the requisitions are attached as is the Executive Decision itself (exempt appendices not available to press or public). A response by officers to the grounds for the requisition will follow when available.

## RECOMMENDATION

**That the Board considers the requisition of the Key Executive Decision and determines whether to uphold it.**

## REPORT DETAIL

As per Appendices

- Grounds for requisition
- Key Executive Decision report (Appendices not available to press or public)

## IMPLICATIONS AND RISKS

**Financial implications and risks:** None of this covering report.

**Legal implications and risks:** None of this covering report.

**Human Resources implications and risks:** None of this covering report.

**Equalities implications and risks:** None of this covering report.



**Environmental and Climate Change implications and risks:** None of this covering report.

**BACKGROUND PAPERS**

None.

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Cabinet decision, 11 December 2024: Office to residential conversions to accommodate homeless families – Chesham House – Grounds for Call-in

1. As the site has been rejected for residential conversion once, I am concerned as to whether we will be able to deliver lawful and practical accommodation in the same building.
2. Suitable nature of accommodation. A previous planning application for the site, converting it to flats, was rejected.
3. I am concerned at the lack of detail with regards to whether these will be self contained units or offer some form of communal/shared facility.
4. I would like more information about any on-site security and/or support being provided.
5. I am concerned as to whether the building can be made suitably fire-safe.
6. There should be a value for money assessment. Would it be cheaper and faster to procure homes on the open market?

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This Report is part exempt and Appendices 1, 2 and 3 not available for public inspection.

<b>CABINET</b>	<b>11 December 2024</b>
<b>Subject Heading:</b>	<b><i>Office to residential conversion to accommodate homeless families – Chesham House</i></b>
<b>Cabinet Member:</b>	Councillor Natasha Summers – Lead Portfolio Holder for Living Well Housing Demand
<b>ELT Lead:</b>	Patrick Odling-Smee - Director of Living Well
<b>Report Author and contact details:</b>	Darren Alexander, Assistant Director Housing Demand <a href="mailto:darren.alexander@haverling.gov.uk">darren.alexander@haverling.gov.uk</a>
	01708 43 3751
<b>Policy context:</b>	<b>This report sets out the proposal to enter into an agreement for lease with National Housing Group for the sole use and occupation of Chesham House a 55 unit to address the acute homeless crisis. If National Housing Group complete the works required to Chesham House to create the units, then the Council will be obliged to take a 10 year less a day lease of the site. The proposal would have General Fund and HRA implications.</b>
<b>Financial summary:</b>	This scheme can provide 55 exempt accommodation units to allow the Council to control cost and build capacity as well as discharge its housing duty by PRSOs producing a revenue cost avoidance of circa £9.7m total across the 10 year less a day lease period, and a total of £8.4m in

capital receipts, making a total of £18.1m benefit to Havering.

**Is this a Key Decision?**

**Yes**

**When should this matter be reviewed?**

**Reviewing OSC:**

**The subject matter of this report deals with the following Council Objectives**

People - Supporting our residents to stay safe and well	<b>X</b>
Place - A great place to live, work and enjoy	
Resources - Enabling a resident-focused and resilient Council	

**SUMMARY**

1. The Council will look to enter into a 10 year lease with the National Housing Group for the sole and exclusive use of Chesham House, a 55 unit Office to Residential Conversion by 2026, to meet its Homeless Reduction Act 2017 duty to accommodate homeless families.
2. The lease cost for Chesham House is £8.4m, with running costs (recoverable as service charges) being £6.5m and start-up costs of £0.6m.
3. The scheme will enable the local authority to exit 55 households out of high cost hotel and nightly charged accommodation anticipating a net revenue cost avoidance of circa £9.7 million over the length of the term, as well as £8.4 million in capital receipts. The forecast for inflation is included.

**RECOMMENDATIONS**

4. Cabinet is asked to make the following recommendations:
  - 4.1 To approve the proposal to enter into an agreement for lease with National Housing Group for the sole use and occupation of Chesham House, a 55 unit building in Romford, under which the Council will be obliged to take a 10 year headlease of Chesham House upon completion by National Housing Group of agreed refurbishment works.
  - 4.2 Upon completion of the headlease referred to above, to approve that the Council may either:
    - 4.2.1 grant an underlease of Chesham House to a wholly owned subsidiary of the Council (envisaged to be called Queens Letting and Management ("QLM")) on a back to back basis; or
    - 4.2.2 to manage Chesham House directly.
  - 4.3 Approve deficit grant funding of up to £9.7m in total to QLM to cover the lease period (in event that QLM / Chesham House do not achieve housing benefit exempt status.)
  - 4.4 To delegate to the Director of Living Well, in consultation with the Strategic Director of Resources, to take all steps, and to enter into all documentation, necessary to deliver the scheme as approved by recommendation (a) above including the discretion to decide which of options (b)(i) and (ii) shall be progressed.

5. **Note** we have already received cabinet approval to incorporate QLM Community Interest Company (CIC) on the 12 June 2024 – Establishment of a joint venture company to manage properties leased in partnership with Chalkhill.
6. **Note** Chesham House is a permitted development scheme where from a planning perspective would require prior approval to be obtained for change of use from retail with ancillary storage and offices.
7. **Note** the projected costs of leasing the property for the term outlined as well as the projected cost avoidance.

<b>REPORT DETAIL</b>
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**8. Main causes of homelessness and why the demand for hotels**

9. Over the last two years Havering Council's use of hotel and nightly charged accommodation has created enormous pressure on the Council's housing budget. We have seen a £0.5m and £6.1m overspend occur in those year-end positions respectively. Growth of £3.9m has been applied in 2024/25.
10. The collapse of the private rented sector in London has been a significant contributing factor to the lack of supply following hikes in inflation and interest rates. Landlords have exited the market in efforts to sell their properties no longer able to sustain the increasing mortgage costs and this has left the market in disarray for Londoners.
11. Local authorities in London can no longer rely on a fraught private rented sector and Havering Council must secure its own supply of affordable accommodation to avert the risk a continued unsustainable nightly charged market.
12. The nightly charged market is a debilitating accommodation offer from private landlords pivoting with established letting agents to offer poor quality homes at premium above market rents. The offer distorts the market and pushes even dual income households out of London.
13. To exit out of the current 230 hotel and nightly charged accommodation places and to sustain this position, Havering will need to have a number of meaningful property and pipeline initiatives to address the homeless pressures over the next 5 years.
14. The Housing Demand service is fighting to support families and their children to exit out of hotels and nightly charged accommodation and this is proving to be increasingly difficult following the collapse of the private rented market sector for low income families.



15. In 2022/23 use of chain hotels increased substantially with families staying beyond the statutory 6 weeks limit. This was reduced, with effective temporary accommodation management and planning meaning we no longer use chain hotels.
16. However, our use of hotels altogether has not ceased and we continue to use local hoteliers on block booking arrangements.
17. We are also reliant on high cost nightly rate accommodation. This form of accommodation alleviates families from spending weeks in hotels without cooking facilities as this solution has addressed those concerns, but the cost of nightly charged houses and flats is proving at times to be more than the cost of hotels.
18. Our demand and supply model suggests that our current trajectory for securing nightly charged and hotel accommodation is unsustainable and requires immediate action to increase supply to mitigate the existential risk to our long term budget position. There is substantial evidence across London that demonstrates the risks to families remaining in hotels and nightly charged accommodation long term and Havering are entering that profile of risk.
19. In 2022/23 we placed 358 households into hotels, an average of 30 per month. In 2023/24 the average placements into hotels rose to 38 per month. This financial year to date, the average remains at 37 new households per month, going into the winter period.
20. In the last 3 years, 40% of those households moved out of hotels of their own accord or into the private rented sector. This year approximately 24 new households each month end have been placed in hotels or nightly rate accommodation while waiting for an opportunity to move on. Havering do not have the supply to meet this need and are at risk continuing to spend a gross cost of £66k for new households each month or circa £792k each year. Only one-third of this cost can be met by housing benefit at the local housing allowance 2011 less 10%.

21. Table 1: Year on year growth in nightly rate and hotel accommodation

<b>The Growth in Hotel and Nightly-Let Accommodation Usage</b>				
	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25 (forecast)</b>
Average number of households	25	50	189	194
Total spend £ million	0.67	1.28	5.59	6.25
Average cost per night	73.30	70.36	81.06	88.29

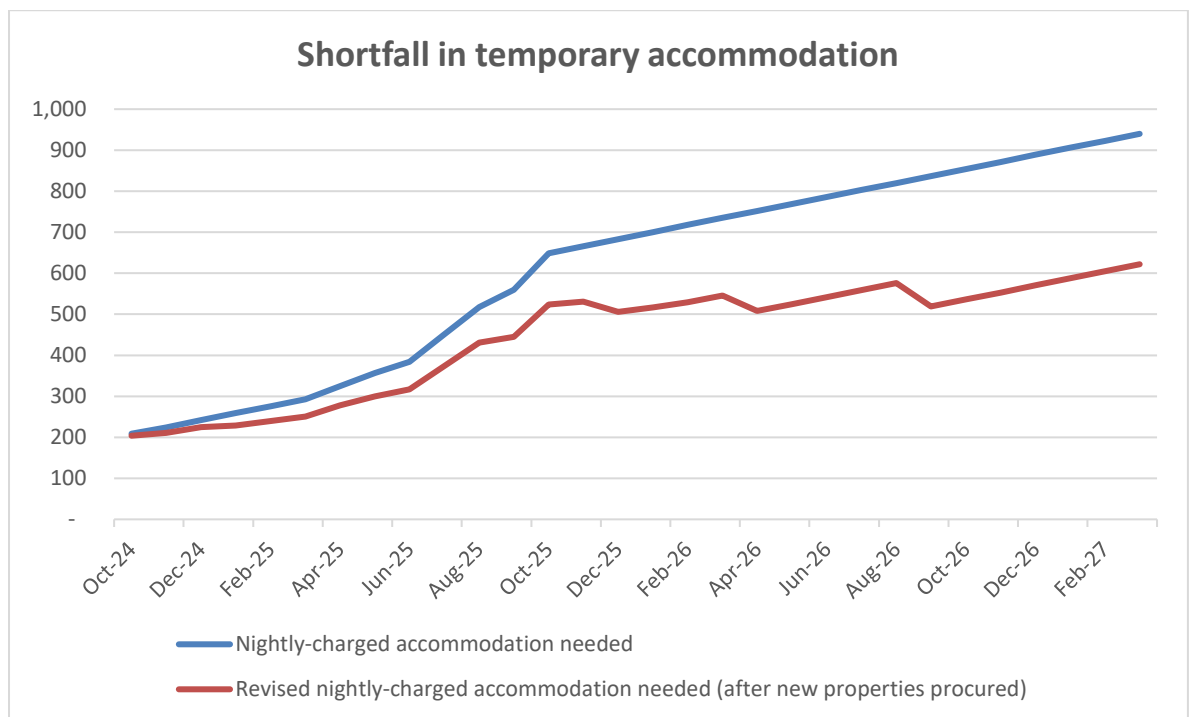
22. The influx of supply of nightly rate properties arises from private letting agents endorsing nightly rent rates with their landlords as an opportunity to

exploit a premium rent level that at times exceeds the market rent for below average properties. Councils in London feel powerless but yield to these demands.

23. Havering Council however, have already begun to turn the tide on this market by working closely with the private equity funds to bridge the supply gap and have already mobilised the Urban Impact (Chalkhill) initiative to replenish stock that has been lost in our private sector lease as well as deliver homes that are affordable on longer term leases.

24. The council will need a pipeline of temporary accommodation to stem the year on year growth in hotel and nightly charged accommodation. Without a pipeline of supply we anticipate nightly charged accommodation to rise to 940 units and with a pipeline this can be reduced by a third to 622. The 622 includes schemes such as Chesham House as well as other schemes already approved by cabinet like the Family Welcome Centre.

25. Graph 1 illustrates the risk of to the council of not taking action. The blue line is no action and the red line is some action.



26.

27. This paper seeks approval to deliver an office-to-residential conversion delivering 55 additional units of family sized accommodation.

**28. Chesham House**

29. The Chesham House property is currently an office in Chesham Close.

30. The building has been earmarked for office to residential conversion using permitted development rights.

31. It will generate 55 units of accommodation designed to meet the needs of homeless families in hotels and nightly charged accommodation.

32. We anticipate that this unit will be available for use in the middle of November 25 and January 2026 when the renovation of the building reaches completion.

**33. Costs to deliver Chesham house – see appendices**

**34. Costs to set up Chesham house**

35. We anticipate start-up costs of £180k to cover furniture and £422k costs for SDLT.

**36. Exempt Accommodation Status**

37. Chesham House will be one of the first office-to-residential schemes that will sit under the umbrella company of Queen’s Lettings Limited.

38. The service will provide onsite intensive management support and the associated costs will be mitigated by its exempt status making the scheme eligible for enhanced housing benefit rates.

39. This will include staffing costs of 3 new posts created in the People/Living Well directorate to deliver the onsite intensive management support for the residents a model already delivered at Royal Jubilee Court.

i. 2x Family Assessment Centre officers

ii. 1x receptionist

40. The concierge service is a security officer and this will be delivered by external contractors.

41. The table below illustrates the costs eligible for enhanced housing benefit provision.

	2026-27	2027-28	2028-29	Total for life of contract (10 years)
Number of Properties	55	55	55	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rates, insurance, utilities	120	124	128	1,338
Repairs and voids costs	55	56	58	611
Management costs				
Staffing (3 posts)	132	136	140	1,472
Concierge service	210	217	224	2,342
Cleaning (30 hours pw, including void cleaning)	66	68	70	736
<b>TOTAL</b>	<b>583</b>	<b>601</b>	<b>620</b>	<b>6,500</b>

**REASONS AND OPTIONS**

**Reasons for the decision:**

- 42. To continue to secure accommodation for families at risk of homelessness:
- 43. Increase the number emergency accommodation units within the existing estate profile
- 44. To exit families out of bed and breakfast hotels

**Other options considered:**

**45. Continue to use Chain Hotels and other high cost hotels.**

- 46. Over the last 12 months the Council have placed high volumes of families into chain hotels and this has been a concern particularly for those affected with stays beyond the statutory 6 week limits. Block booking chain hotels has been considered, however, locking the Council into long term booking arrangements places the authority at risk of exposure when demand is no longer there due to an increase in affordable housing options being supplied in its place. This option remains the highest risk and the highest cost and should only be used in emergencies and as a last resort.

**47. Procure properties through a long term lease agreement with a purchase option.**

- 48. Discussions are taking place with a provider to purchase properties and lease to the council on a 40 lease agreement with an income strip so the Council will own the property for £1 at the end of the 40 year lease. The lease rental will rise with inflation over the 40 years, increasing the risk of financial losses over the period.

**49. Private partner to purchase and subsequently lease properties to the Council to be used as temporary accommodation**

- 50. We considered the use of these properties as temporary accommodation however, the Council have already assessed that the rental value can only achieve the 2011 LHA rates less 10% and the housing benefit subsidy deficit would lead to the Council losing out financially. The existing PSL scheme is also being pursued however there is a financial loss to the council due to the subsidy loss as set out elsewhere in this report.

**51. The Council to purchase properties through the HRA**

- 52. The Council has had a programme for the last 4 years for the purchase of properties through the HRA Acquisitions programme, funded from HRA borrowing and grant. For 2022/22 and 2022/23 the council received GLA grant towards these acquisitions however this has stopped so RTB receipts are being used in 2023/24 to subsidise the purchases. The increasing rise in

house prices in the borough has impacted on the financial viability of this programme. Other funding grant opportunities are being explored. There are limitations in that we are only able to acquire units within the Havering borough boundaries as opposed to this proposal which enables us to acquire in other London Boroughs. Although this approach has delivered a positive yield of 35 – 80 per year it will not meet the required demand so other options are going also needed.

**53. The Council to purchase properties through its own wholly owned subsidiary company MLH**

54. We took the “**Private Housing Investment for Settled Homes Proposal for Mercury Land Holdings PHISH**” to Cabinet and it was agreed in 2022 to purchase 125 properties over a 5 year period. The structure of the proposal would mean that there was a capital outlay of circa £60 million from the Council’s general fund and upon acquisition of a property we would offer 12-24 months Assured Shorthold Tenancy (AST) to homeless households and subsequently discharge our housing duty. However, significant delays in drawdown loan agreements and the fundamental change to the financial climate in that period i.e. spike in inflation and interest rates meant that this approach was no longer financially viable. This does not mean we cannot revisit this approach once the markets have settled down however, it cannot be treated in isolation as a panacea for the current homeless pressures. The 125 units and limited 5 year term will not meet the considerable risk of hotel use in the long-term and will only alleviate it in the short term.

**55. The Council to grant an underlease of Chesham House to Mercury Land Holdings (MLH) as the wholly owned subsidiary of the Council**

56. MLH are unable to take on the risk of the scheme as their Directors are not covered by public liability insurance and therefore the risk would fall upon non-council employees.

**57. Develop new supply of homes through the regeneration programme**

58. This is being actively pursued however the viability of future schemes has to be carefully considered. The Council does not receive GLA Grant for the units that are replaced, only the additional units built. There is also the medium term displacement of households during the development stage that creates additional demand for temporary accommodation. The Council is also developing a new Family Assessment Centre in Harold Hill that will provide temporary accommodation for homeless households however this is not due to be completed until 2025.

**59. The Council to work with other investors who provide options to supply accommodation**

60. The Council still consider this as a viable option in order to further increase the mixed portfolio profile it requires to meet the housing need and will carry out its due diligence of these offers as and when they arise.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

**61. Financial implications and risks:**

62. Temporary Accommodation has created significant budgetary pressures on the Council. This is a national picture as the number of people presenting to the service are increasing in relation to the economic crisis and continuing economic pressures. This pressure impacts not only the individuals presenting but also the Landlords in the Private Sector Market who have been impacted by legislative changes as well. As a result continuing pressure and number presenting are forecast. Chesham House is one element of a much wider portfolio of actions to address the supply of suitable accommodation for those in Temporary Accommodation. Alone, it presents a cost avoidance opportunity but as the portfolio of schemes come into place there is the opportunity to reduce overall costs to the Council. Below the scheme is reviewed as a standalone scheme.

63. In summary, Chesham House consists of 55 units, which will be used to reduce the number of families already in hotel and nightly let accommodation. The scheme will be managed by Queen's Lettings Management (QLM), and will produce substantial cost reductions for LBH. LBH has already received permission from Cabinet to set up QLM. Set-up of the company is still pending, but is expected to be within the next few weeks. As the agreement to take on the headlease will be with LBH, and the sublease with QLM will not take place until the property is ready to let (expected date 1<sup>st</sup> April, 2026), any further delay in setting up QLM is unlikely to impact this timeline. We will need to ensure that robust governance is in place for QLM before this time. As a worst case scenario, if QLM is not in operation, LBH can still produce cost reductions with this scheme (a total of £4.1m over 10 years, instead of 18.1m see paragraph 64).

64. Entering into a Leasehold agreement removes flexibility for the Council to respond to any change patterns in behaviour or economic climate, but this is a small portfolio and therefore existing demand would be matched with the number of units.

65. LBH is currently in an overspend situation with temporary accommodation. In September 2024, LBH accommodated, on average, 215 households in hotels and nightly-lets. The forecast on this type of accommodation for the current financial year is £6.3 million (an overspend of £2.4 million). This scheme will reduce this overspend by replacing 55 units of expensive hotel and nightly-let accommodation with a more affordable alternative. A net cost avoidance of £1.0 million is expected in 2026-27, with a total cost avoidance of £9.7m over the life of the ten year contract. In addition, Havering will gain capital receipts of £8.4m over the life of the contract, giving an overall benefit of £18.1m.

66. The scheme should get exempt status under housing benefit rules. There is a risk that, if this exempt status is not granted, Havering will need to give a grant to QLM of up to a total of £9.7m over the 10 year life of the lease, to fund the deficit caused by being restricted to lower tenant rents. This would reduce the overall cost reduction. Furthermore, a loan may be needed from LBH to QLM to help manage cash-flow. This scenario would still yield substantial cost reductions (£9.7m revenue plus £8.4m of capital receipts (total saving £18.1m) with QLM).
67. With exempt status, tenant's rents can be increased in line with any increases in the lease cost, which is linked to LHA rates. Services charges will increase each year in line with inflation.
68. There is no financial spend by LBH or QLM until the works on the building are completed and handed over. Given the forecast demand over the next few years, including the need to decant around 380 families from our shortlife properties during this time, there should be no problem in filling these places. However, it is possible for QLM to offer some of the units to other councils, or private renters, if necessary. The biggest issue is likely to be finding staff capacity to initially fill all 55 places quickly to avoid void loss costs in the first few weeks but this can be partially mitigated by advance preparation.
69. Stamp Duty (SDLT) on the lease is budgeted in the figures above. For this business configuration, the rules on SDLT are open to interpretation. It is possible that SDLT will not be payable at all, giving us an extra saving. A decision from HMRC is currently being sought.
70. If LBH were to let these properties directly, without involving QLM, they would only be permitted to charge 90% of the 2011 LHA rate, and no service charges. The net cost avoidance over the ten year lease would be £4.1 million revenue (compared to £9.7m revenue plus £8.4m of capital receipts (total saving £18.1m) with QLM).
71. If we do nothing the cost pressures resulting from forecasted increased demand will continue to result in upward cost demands that cannot be met from available funding. This is likely to cost the council at least an extra £13.5 million over ten years to house these families in nightly-paid accommodation.
72. The Council's revenue position is significantly overspent but there will be revenue savings from reduced capital borrowing with the capital receipts in flow. However, we will achieve a larger benefit to revenue from the reduction in costs of hotels and nightly charged accommodation.
73. It is important to pursue a mixed portfolio of different types of schemes, in order to reduce risk as far as possible. Chesham House fits into that planned mixed portfolio.
74. A comparative table of the difference between the operating models is shown in the appendices.

**Legal implications and risks:**

75. The Council has obtained external legal advice from Browne Jacobson LLP on this transaction. Their detailed legal advices are attached to this report as an Appendix.

76. There are four main elements of the transaction which require legal analysis:

- a) Whether the Council has the power to enter into the transaction
- b) Public procurement
- c) Subsidy control compliance
- d) Position in relation to housing benefit rates

77. Powers

78. The Council has the power to enter into the Lease with NATIONAL HOUSING GROUP pursuant to S120(1)(a) of the Local Government Act 1972 (LGA 1972) or S111(1) of the LGA 1972. The Council would be acquiring the Units for the purposes of helping it discharge its homelessness duties under S193(2) of the Housing Act 1996 (HA 1996) by underletting the Units to the QLM in order that the QLM can then make private rented sector offers (PRSO) in respect of those Units to applicants who are owed a main housing duty.

79. A strong argument can be made that the Units will not fall within the Council's Housing Revenue Account. This is because the Housing Revenue Account (Exclusion of Leases) Direction 1997 (the Direction) excludes from the HRA leases of property for a period of 10 years or less for the purpose of housing homeless households.

80. The Council has the power to then dispose of the Units to QLM using S123 of the LGA 1972, provided that the Council charges QLM a market rental rate for the Units.

81. Public Procurement

82. The Council can enter into the agreement for lease with NATIONAL HOUSING GROUP without needing to run a procurement process which complies with the Public Contracts Regulations 2015 (**PCRs**). This is because NATIONAL HOUSING GROUP own the Site and therefore have an exclusive property right which they are entitled to protect. This argument is based on an interpretation of Regulation 32(2)(b)(iii) of the PCRs which allows the Council to directly negotiate with a party without running a competition if a) that party has exclusive rights; and b) no reasonable alternative or substitute exists.

83. The Council should publish a Contract Award Notice in relation to the Lease in order to start the clock on any potential procurement challenge. Aggrieved



challengers would have 30 days from the date of the notice to issue proceedings.

84. The Council can directly enter into contractual arrangements with QLM (including a nominations agreement if necessary) because QLM will satisfy the “teckal criteria” set out in Regulation 12 of the PCRs.

85. Subsidy Control

86. The provision of any grant from the Council to QLM in relation to this arrangement is likely to constitute a “subsidy” under the Subsidy Control Act 2022 (SCA 2022). This means that the Council will need to conduct an assessment against the subsidy principles contained in Schedule 1 to the SCA 2022 before it awards any grant to QLM.

87. Any grant given to QLM for this purpose is likely to be cumulated with grant given in relation to the Chalkhill programme which means that the quantum of subsidy is likely to constitute a Subsidy of Particular Interest (SSOPI) under the SCA 2022. This means that the Council will need to make a referral to the Competition and Market Authority’s Subsidy Advice Unit (SAU) in accordance with the SCA 2022. The SAU will assess the Council’s principles assessment and issue a public report with recommendations. The Council will need to go through this process and observe the statutory cooling off period following publication of the report, before it enters into any grant arrangements with QLM for the scheme.

88. Housing benefit

89. As the units will be let by QLM as exempt accommodation, the Council will be able to pay housing benefit in accordance with the “pre-1996 rules” contained in Regs 12 and 13 of the Housing Benefit Regulations 2006 as they are set out in para 5 of Schedule 3 to the Housing Benefit (Consequential Provisions) Regulations 1996.

90. So long as the Council is satisfied that the units are not under-occupied, and that the rents charged by QLM are not unreasonably high, the Council may pay housing benefit at a rate of 100% of a tenant’s rent and service charges (excluding the costs of any care, support or supervision provided).

91. The Council will need to refer tenants’ housing benefit claims to the Rent Officer for determination of a claim related rent. So long as a tenant’s total rent and service charges do not exceed the claim related rent determined by the Rent Officer, the Council will be able to claim housing benefit subsidy of 100% of the housing benefit paid to those tenants (in accordance with Article 16(1) of the Income-related Benefits (Subsidy to Authorities) Order 1998).

92. If the housing benefit paid exceeds the claim related rent determined by the Rent Officer, then the housing benefit subsidy that the Council can claim will be capped at the claim related rent, although in some cases the Council may claim housing benefit subsidy at a rate of 60% of the difference between the claim related rent and the housing benefit paid (in addition to 100% of housing benefit up to the claim related rent cap). Consequently, where the housing benefit paid to a tenant exceeds the claim related rent determined by the Rent Officer, there will be a housing benefit subsidy deficit that will need to be met out of Council funds.

**Human Resources implications and risks:**

93. The recommendations made in this report give rise to increase the existing workforce to deliver onsite intensive management support at Chesham House this includes the following:

1. 2x Family Assessment Centre officers
2. 1x receptionist

94. Concierge services that provides security of the building will be provided by an external contractor.

95. The 3 new posts will be created in the People/Living Well directorate and that those posts will be created and recruited to in accordance with the Councils HR policies and procedures.

96. This means a formal restructure process will be required next year and that will involve the drafting/amending of new/existing Job Profiles and their submission for evaluation and a formal restructure consultation process.

97. The building does already have existing office space and will allow staff to work on the site as well as provision of security services for 24 hours.

98. And it is anticipated that the extra revenue generated from this proposal will ease some of the financial burden within the existing budgets as well as provide additional those staff to meet the service needs.

**Equalities implications and risks:**

99. The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii) The need to advance equality of opportunity between persons who share protected characteristics<sup>1</sup> and those who do not, and;

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<sup>1</sup> 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

- iii) Foster good relations between those who have protected characteristics and those who do not.

100. The Council is committed to all of the above in the medium term provision of Chesham House and is expecting that this will not just be a positive step in our endeavour to relieve the existing pressures of homelessness but to give assurance to our colleagues in health and social care that we are focussed in our efforts to improve health inequalities.

101. Chesham House recognises the acute challenges families face when children are experiencing significant time spent living in hotels without cooking facilities and overcrowded living conditions. The unit gives us the opportunity to step down families directly from hotels into a self-contained dwelling with access to onsite support as they go about re-establishing their lives. This growing use of hotels has been particularly harmful to children and their education and has exacerbated their parents' anxiety about providing a stable, safe and secure home.

102. We will also make every effort to ensure that households with protected characteristics, age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation, who are over-represented as homeless also receive the right attention and support to live independently.

### **Health and Wellbeing implications and Risks**

103. Havering council is committed to improving the health and wellbeing of its residents. The provision of accommodation other than hotels is an important determinant of health and wellbeing as housing impacts both our physical health and mental wellbeing

104. Housing instability and poorly designed housing undermines our health and is associated with increased risk of ill health including stress, anxiety, inability to cook healthy food or pursue healthy lifestyle, cardiovascular disease and respiratory disease as well as risk of physical injury from accidents. Hotels in particular do not offer the amenities that families and their children need and this has a wider impact on schools and the ability of children to thrive in education. There is an impact for families placed outside of the borough can disrupt the existing relationships, social connections, familiar neighbourhoods and continuity of healthcare

105. It is anticipated that the mobilisation of this proposal and the delivery of accommodation of acceptable standard will reduce the Council's dependency on hotels as temporary accommodation will generate positive health and wellbeing benefits directly to households who have a need to be accommodated by the Council in an emergency. .

106. Housing such as Chesham House (particularly for families due to health and wellbeing issues) does have a role to play as an important pathway to longer

term stability and sustainability as well as well as means through which people living in Havering can build a new life and access services and opportunities (e.g. access to employment, identity, healthy lifestyle, education, creation of social networks etc.). The scheme will also benefit households at risk of homelessness by providing accommodation for households with children in particular who have been staying in hotels. It is anticipated that the mobilisation of this proposal and the delivery of other office to residential conversions of a similar nature will reduce the Council's dependency on hotels will generate positive health and wellbeing benefits directly to households who have a need to be accommodated by the Council in an emergency.

107. Havering council is committed to improving the health and wellbeing of its residents. The provision of accommodation other than hotels is an important determinant of health and wellbeing as housing impacts both our physical and mental health and wellbeing. Inadequate housing and poorly designed housing is associated with increased risk of ill health including cardiovascular and respiratory diseases, depression and anxiety as well as risk of physical injury from accidents. Hotels in particular do not offer the amenities that families and their children need and this has a wider impact on schools and the ability of children to thrive in education.

108. Housing such as Chesham House (particularly for families due to health and well-being issues) does have a role to play as an important pathway to longer term stability and sustainability as well as well as means through which people living in Havering can build a new life (e.g. access to employment, identity, living practices, creation of social networks etc.). The scheme will also benefit households at risk of homelessness by providing accommodation for children in particular who have been staying in hotels.

109. There is an impact for families placed outside of the borough but the risks of remaining in insecure hotel accommodation particularly for children weigh higher.

**BACKGROUND PAPERS**

***All appendices are exempt.***

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