



# Havering

LONDON BOROUGH

## OVERVIEW & SCRUTINY BOARD AGENDA

7.00 pm

Thursday  
13 February 2025

Council Chamber -  
Town Hall

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.

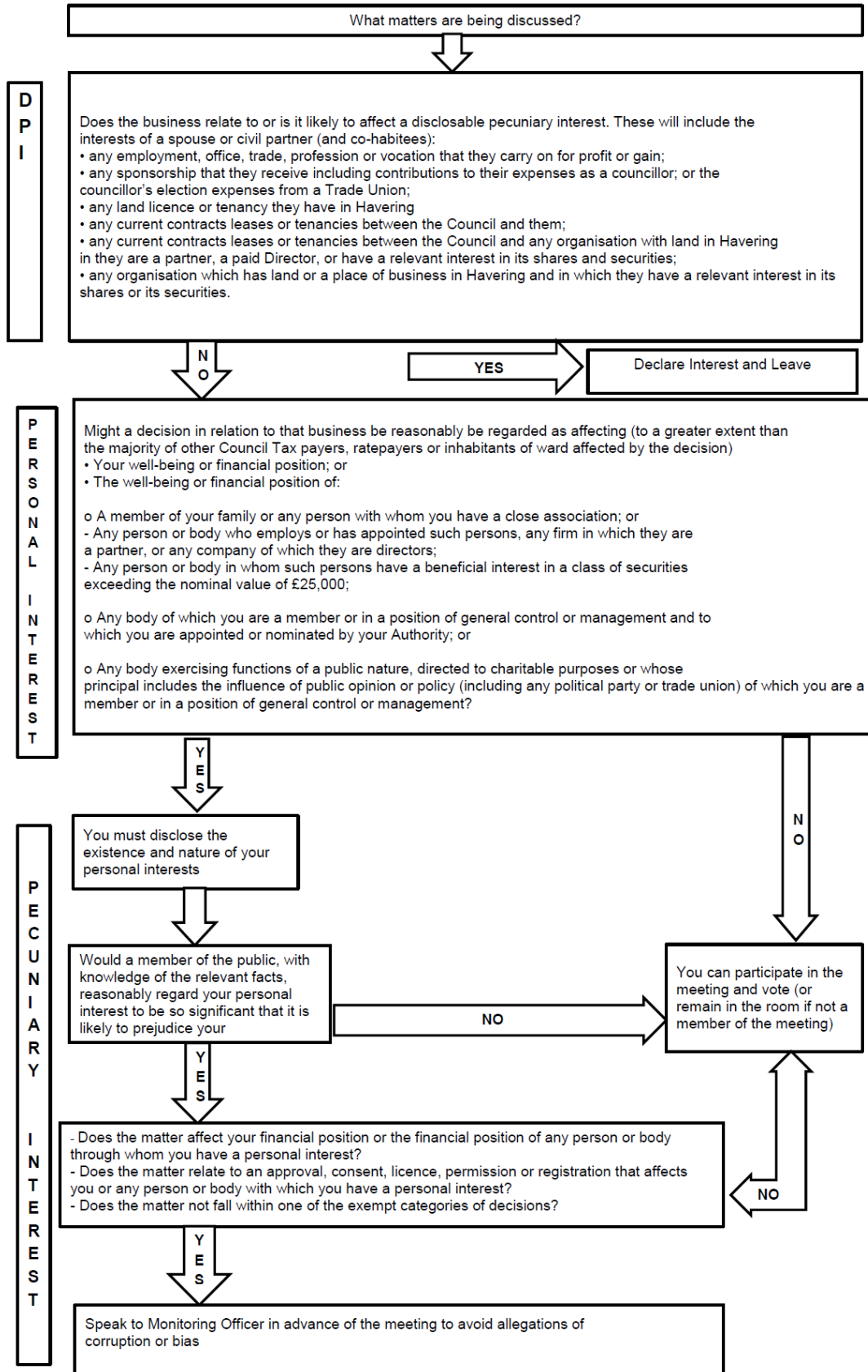
The Board is politically balanced and includes among its membership the Chairmen of the six themed Overview and Scrutiny Sub-Committees.

### **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 OF CABINET DECISION - OFFICE TO RESIDENTIAL CONVERSION TO ACCOMMODATE HOMELESS FAMILIES - EASTGATE HOUSE (Pages 7 - 44)**

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

13 February 2025

**Subject Heading:**

Call-in of Executive Decision -  
Office to residential conversion to  
accommodate homeless families –  
Eastgate 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 Mandy Anderson, Pat Brown, Jason Frost, Martin Goode, Judith Holt, Jane Keane, Laurance Garrard, Jacqui McArdle, Trevor McKeever, Keith Prince, Matt Stanton and David Taylor) have called-in the Key Executive Decision dated 22 January 2025.

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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CALL-IN OF CABINET DECISION 22 JANUARY 2025 - OFFICE TO RESIDENTIAL  
CONVERSION TO ACCOMMODATE HOMELESS FAMILIES – EASTGATE  
HOUSE

Supporters of Call-in

Councillor Mandy Anderson

Councillor Pat Brown

Councillor Jason Frost

Councillor Martin Goode

Councillor Judith Holt

Councillor Jane Keane

Councillor Laurance Garrard

Councillor Jackie McArdle

Councillor Trevor Mckeever

Councillor Keith Prince

Councillor Matthew Stanton

Councillor David Taylor

Grounds of Call-in

1. We need more information on how residents placed there will be supported. There does not appear to be a cost for any support staff, as there is for Chesham House.
2. We need to understand the current time it takes for Havering to relocate someone from temporary accommodation to permanent. Including whether there are any residents waiting longer than 2 years.
3. We would like to understand more on the council's responsibility to provide support, and any expiration date on this (for example, do residents become the responsibility of Basildon after X number of years). The response should cover how residents will access GPs, Schools, and other support.

4. What will the selection criteria be, for Havering deciding who to relocate to Basildon? We need to establish what entitlement would residents of Havering to remain on Havering's housing list, If they were to accept a move to another borough.
5. Have any of the Cabinet been to visit the site? Have any officers? Assuming, as the Cabinet have agreed this, any concerns presented were not insurmountable, what were the concerns raised by Cabinet or officers and how were they addressed?
6. I am concerned that we are taking whatever National Housing Group are offering, are we providing any criteria to them of what is acceptable and what is not?
7. Being as we are so concerned about social care being a vehicle for investment profit, have we considered the implications of the TA sector becoming the same?
8. How will we maintain residents links to healthcare, schools, etc, what is the estimated move-on time, will they be assisted to change placements to Basildon or given any assistance with travel?
9. Will there be any Family Welcome support on site as mentioned with regards to Chesham House?
10. What mechanism will be used to determine that this is exempt accommodation for the purposes of attracting the higher LHA rate?
11. Will there be any communal or play space on the site?
12. Given the discrepancy between the Havering and the Basildon LHA rates, are we still only passing on the LHA rate to QLM, or are we 'topping up' to the Havering rate?

13. Bearing in mind at the Chesham House call-in, it was discussed that we wanted to proceed with Chesham House to prevent the property being used by other boroughs. As we are now doing this to Basildon, will this damage any relationship we have with them?
14. Are the Council comfortable with housing our residents in a building where we have had no oversight of planning or building control?
15. If persons placed in this accommodation become tenants of QLM, their Housing Duty is ended (as per the conversation at call in for Chesham House) how long would a person have to remain in this accommodation to be considered to have broken their residency in Havering for the purposes of the Housing Register? In the event of an unavoidable delay, will this be waived?
16. Will these be single-occupancy units or family accommodation?
17. How are the issues raised by Basildon Council in their letter of 22/1 being addressed?
18. What is the estimated cost in value for the lease.
19. What is the logic of sending Havering residents to live in Basildon albeit on a temporary basis which would surely cause disruption to school and work life for people temporarily displaced?

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## Overview and Scrutiny Board

13 February 2025

**Subject Heading:**

Call in of Cabinet Decision - Office to residential conversion to accommodate homeless families – Eastgate House

**ELT Lead:**

Patrick Odling-Smee, Director of Living Well

**Report Author and contact details:**

Darren Alexander, Assistant Director of Housing Demand

**Policy context:**

**Financial summary:**

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

People - Supporting our residents to stay safe and well    **X**

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

Resources - Enabling a resident-focused and resilient Council

**SUMMARY**

Following Cabinet decision and using its Constitutional powers under the Overview and Scrutiny Procedure Rules, the Overview and Scrutiny Board has called in the decision to enter into an agreement to lease Eastgate House to accommodate homeless families. This report provides a response to each of the comments and questions raised in the call-in.

## RECOMMENDATION

1. **That the Overview and Scrutiny Board consider the responses to the issues raised in the call-in.**

## REPORT DETAIL

2. **Have any of the Cabinet been to visit the site? Have any officers? Assuming, as the Cabinet have agreed this, any concerns presented were not insurmountable, what were the concerns raised by Cabinet or officers and how were they addressed?**

Darren Alexander, Assistant Director and his Housing Demand Service Managers went to visit the site last summer. Videos of the unit were taken. At the time of the visit officers accessed the building through all three access points, the car park, shopping mall and main external entrance of the building.

The building is in the heart of the town centre yet relatively discreet i.e. you don't know it is there unless you are looking for it and this will provide a degree of privacy to our families with access to amenities all within the footprint of the building.

We will not entered a lease if the council are not satisfied the building meets control and fire safety standards including for evacuation.

3. **I am concerned that we are taking whatever National Housing Group are offering, are we providing any criteria to them of what is acceptable and what is not?**

The council has had extensive discussions with the National Housing Group (NHG) as about our need. The NHG have already delivered accommodation for our single people with complex needs cohort. They have provided Farringdon Avenue (which has now been bought by Penrose, Social Interest Group), a scheme for people with complex needs; as well as a mother and baby unit in Mawney Road, which has enabled us to get young mothers and their new born babies out of emergency hotel placements.

NHG have had the opportunity to visit Royal Jubilee Court and speak to some residents to understand the provision we currently have for our families and they intend to provide a larger, higher quality provision at both Chesham House and Eastgate House.



**4. Being as we are so concerned about social care being a vehicle for investment profit, have we considered the implications of the TA sector becoming the same?**

The Council are equally concerned about local estate agents and lettings providers exploiting a fraught market with low quality accommodation and extraordinary rental premiums in the emergency temporary accommodation sector.

This is a central reason why the local authority has been exploring deals with equity fund partners that has access to low cost capital that can deliver better quality accommodation that we can control as well as provide the affordable rent levels we require.

The approach with the NHG is one of the many vehicles available to counteract the rising emergency costs and while they ask for longer leases to provide more security to their capital they are able to offer value for money that aligns with the local housing allowance.

In the past deals of this nature would have annual cost increases in line with CPI indexation however, NHG are offering indexation to be tracked against the government's local housing allowance. This protects the local authority from the type of exposure we are currently experiencing with last year's overspend reaching £6.2m.

We anticipate deals of this nature will help to alleviate our cost pressures significantly as well as balance our budgets by 2028 and savings have been built into the MTFs as a consequence of this scheme.

There is some subsidy deficit that will be borne by the council but as outlined in our report this is £1.8m in cost avoidance over a 10 year term, we will also receive £5.3m of capital receipts over that period.

**5. How will we maintain residents links to healthcare, schools, etc, what is the estimated move-on time, will they be assisted to change placements to Basildon or given any assistance with travel?**

We already place 50+ households out of borough as a result of the increase in use of nightly paid accommodation and as part of the offer households are expected to meet their needs accordingly. These properties are largely dispersed and are not planned placements.

The Eastgate Scheme will be a planned placement and come with a package of support that caters to the household needs with regards to healthcare schools etc. The assured shorthold tenancies mean that families will have tenancy rights for the duration of the 10 year term. This offers greater stability to families who can then plan longer term what their needs may be. Although we have the power to discharge our duties we as part of the Localism Act, we will retain responsibility for the housing for two years and will also maintain their registration on our housing register, so they will be able to bid for council properties in Havering. In the event that circumstances change we will be able to make local decisions about move-on including a return to Havering if that is indeed the wish of the household. We

anticipate as has others who have settled in Basildon for this to occur on an individual basis.

**6. Will there be any Family Welcome support on site as mentioned with regards to Chesham House?**

Although Eastgate House is an office to residential conversion, it is quite unlike Chesham House and therefore we cannot treat it in the same way with on-site support.

The building does not have the features of Chesham House where office accommodation could be provided in a central location that provides the type of amenities and relationships with staff we expect will be created at Chesham House and has already been achieved at Royal Jubilee Court.

However, its features does lend itself to allow satellite support for residents with officers able to access all units on single visits that won't require much travelling that would be required for dispersed properties. We also want to enable our families to have some independence so those families allocated to these properties will be those that won't require the hands on support we are able to provide.

**7. What mechanism will be used to determine that this is exempt accommodation for the purposes of attracting the higher LHA rate?**

Although we will achieve the higher rate LHA that will enable us to make significant cost avoidance. With the building in another district we are unable to provide certainties that we can achieve exempt housing benefit rates. This will be explored with our colleagues in Basildon and if they are amenable to this provision that will improve an already positive financial model.

**8. Will there be any communal or play space on the site?**

This scheme will not provide communal or play space on site. However, its close proximity to the town centre which means that this need can be met elsewhere.

**9. Given the discrepancy between the Havering and the Basildon LHA rates, are we still only passing on the LHA rate to QLM, or are we 'topping up' to the Havering rate?**

We will be topping up the rates as part of our subsidy provision which amounts to £2.8m but still represents a net cost reduction in hotels of £1.8m plus capital receipts of £5.3m over the same period.

**10. Bearing in mind at the Chesham House call-in, it was discussed that we wanted to proceed with Chesham House to prevent the property being used by other boroughs. As we are now doing this to Basildon, will this damage any relationship we have with them?**

We have a working relationship with our colleagues in other London boroughs and it is a common understanding that we are now all operating in each other's

boroughs. Our endeavour now is to focus on making sure we do not inadvertently inflate their existing market. This particular scheme will operate at the local housing allowance and therefore would not create an inflation in market forces. We are aware of the activity of inner London boroughs and are resigned to not being able to operate in the market in the same way they are able to.

The NHG have presented an opportunity to us with Chesham House that other boroughs would not be privy to without local knowledge so we are proud that there is still a market for us to be able to operate in without outside interference.

**11. Are the Council comfortable with housing our residents in a building where we have had no oversight of planning or building control?**

Although we won't have oversight on planning or building control we will expect that this will be met to the highest possible standards through our own contractual controls and specifications which will be overseen through a council appointed employer's agent.

**12. If persons placed in this accommodation become tenants of QLM, their Housing Duty is ended (as per the conversation at call in for Chesham House) how long would a person have to remain in this accommodation to be considered to have broken their residency in Havering for the purposes of the Housing Register? In the event of an unavoidable delay, will this be waived?**

Yes this can be waived. The new allocations policy, which will be implemented by the time Eastgate opens, looks at residency for 4 out of 6 years. Meaning a resident can be in the Eastgate scheme for 2 years and still remain on the register. We will have our own discretionary powers that can consider unavoidable delays, as they are placed outside of Havering.

**13. Will these be single-occupancy units or family accommodation?**

2 bed self contained flats for families.

**14. How are the issues raised by Basildon Council in their letter of 22/1 being addressed?**

We will provide Basildon a full response to their letter dated 22 January 2025. The issues will be addressed by NHG as part of their application for planning permission and building control consent.

## IMPLICATIONS AND RISKS

**Financial implications and risks:** None. This report is for information only.

**Legal implications and risks:** None. This report is for information only.

**Human Resources implications and risks:** None. This report is for information only.

**Equalities implications and risks:** None. This report is for information only.

**Environmental and Climate Change implications and risks:** None. This report is for information only.

**BACKGROUND PAPERS**

None.



<b>CABINET</b>	<b>22 January 2025</b>
<b>Subject Heading:</b>	<b><i>Office to residential conversion to accommodate homeless families – Eastgate 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@havering.gov.uk">darren.alexander@havering.gov.uk</a>
<b>Policy context:</b>	01708 43 3751 <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 Eastgate House a 34 unit to address the acute homeless crisis. If National Housing Group complete the works required to Eastgate 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 will provide 34 accommodation units that can be let by QLM on assured shorthold tenancies thereby allowing the Council to discharge its housing duties to tenants of those units by making PRSOs, producing a revenue cost reduction of £1.8m over the ten year

life of the lease, plus a total of £5.3m in capital receipts.

**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	X
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 Eastgate House, a 34-unit Office to Residential Conversion by 2026, to meet its Homeless Reduction Act 2017 duty to accommodate homeless families.
2. The scheme will enable the local authority to exit 34 households out of high cost hotel and nightly charged accommodation anticipating a net revenue cost avoidance of circa £1.8 million over the length of the term, as well as £5.3 million in capital receipts. The forecast for inflation is included.

**RECOMMENDATIONS**

3. 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 Eastgate House, a 34 unit building in Basildon, under which the Council will be obliged to take a 10 year headlease of Eastgate 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 Eastgate 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 Eastgate House directly.
  - 4.3 Approve deficit grant funding of up to £3.9m in total to QLM to cover the lease period.
  - 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.
4. **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.

5. **Note** Eastgate House is a permitted development scheme where from a planning perspective has already secured prior approval for office to residential conversion.
6. **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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**7. Main causes of homelessness and why the demand for hotels**

8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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.

15. However, our use of hotels altogether has not ceased and we continue to use local hoteliers on block booking arrangements.
16. 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.
17. 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.
18. 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.
19. 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%.

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

The Growth in Hotel and Nightly-Let Accommodation Usage				
	<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

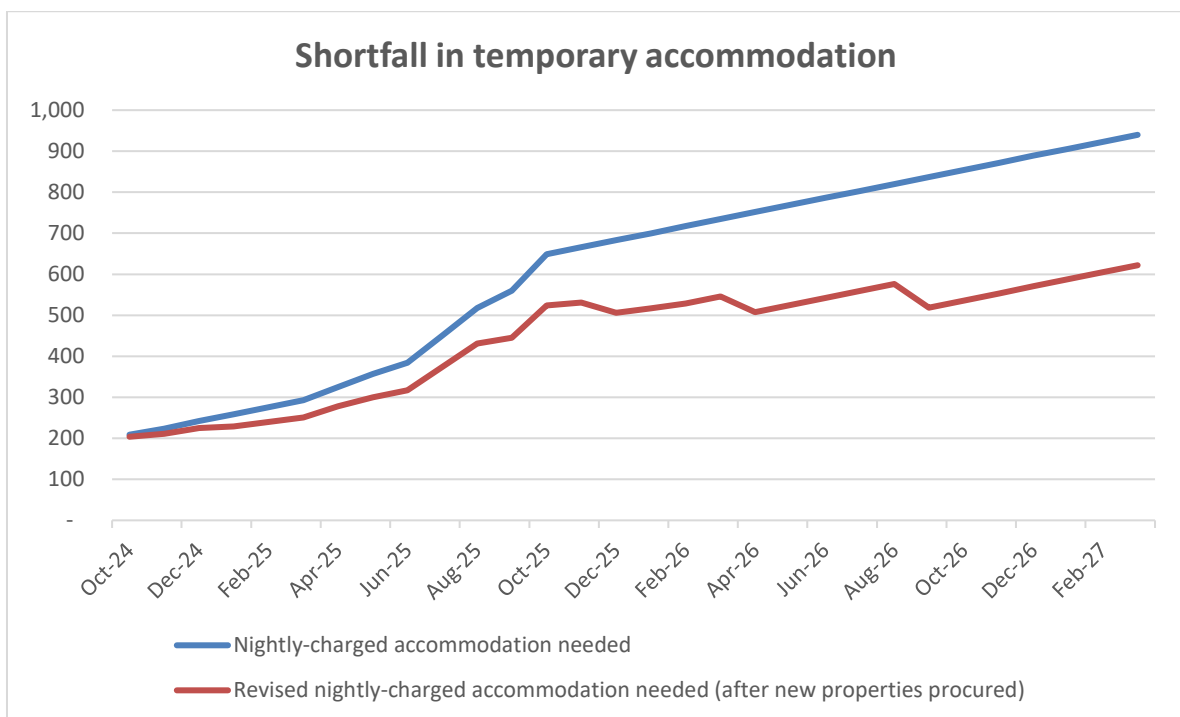
21. The influx of supply of nightly rate properties arises from private letting agents endorsing nightly rent rates with their landlords as an opportunity to exploit a

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

22. 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.

23. 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 Eastgate House as well as other schemes already approved by cabinet like the Family Welcome Centre.

24. 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.



25. This paper seeks approval to deliver an office-to-residential conversion delivering 34 additional units of family sized accommodation.

**26. Eastgate House**

27. The Eastgate House property is currently an office block in Basildon Eastgate Business Centre.

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

- 29. It will generate 34 units of accommodation designed to meet the needs of homeless families in hotels and nightly charged accommodation.
- 30. We anticipate that this unit will be available for use in the February 2026 when the renovation of the building reaches completion.

**31. Costs to deliver Eastgate house – see appendices**

**32. Costs to set up Eastgate house**

- 33. We anticipate start-up costs of £112k to cover furniture and £266k costs for SDLT, totalling £378k as indicated above.
- 34. Eastgate House will be one of the first office to residential schemes that will sit under the umbrella company of Queen’s Lettings and Management Limited.
- 35. LBH will provide management support and some of the associated costs will be mitigated by the fact that the Council will be able to pay housing benefit at the current local housing allowance rate rather than at the 2011 LHA capped rates that apply to temporary accommodation.
- 36. The table below shows a breakdown of running costs for the scheme.

	2025-6 (3 mths)	2026-27	2027-28	Total for life of contract (10 years)
Number of Properties	34	34	34	
	£'000	£'000	£'000	£'000
Rates, insurance, utilities	18	77	79	842
Repairs and voids costs	14	56	58	619
Management fee (staffing costs)	7	28	29	308

**REASONS AND OPTIONS**

**Reasons for the decision:**

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

**Other options considered:**

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

- 41. 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.

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

43. 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.

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

45. 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.

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

47. 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.

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

49. 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.

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

51. 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.

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

53. 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.

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

55. 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:**

56. The East Gate proposal is designed to tackle the financial pressure and the unsuitable accommodation provided as a result of increasing numbers presenting in Temporary Accommodation.

57. As outlined in the report the demand in temporary accommodation is outstripping properties available for placement. This has been caused by two key factors. A reduction of property in the Private Sector and an increase in people requiring temporary accommodation. As a result the Council has had

no choice but to place in hotels and nightly lets. Both of which are expensive options for the Council and not suitable long term solutions for those placed there, especially families and can lead to the need for other Council interventions. 257 households are currently accommodated in hotels and nightly-lets. These placements cost on average £24k pa per family more than placement in PSL property. This is resulting in increasing financial pressures and the Council is currently forecasting spend of £6.3 million (an overspend of £2.4 million against budget).

58. The Eastgate House scheme proposes that 34 units will be opened to families already in hotel and nightly let accommodation. This scheme will reduce this overspend by replacing 34 units of expensive hotel and nightly-let accommodation with a more affordable alternative. A total cost reduction of £1.8 million is expected over the life of the ten year contract. In addition, Havering will gain capital receipts of £5.3m over the life of the contract, giving an overall benefit to the Council of £7.1m.
59. The scheme will be managed by a subsidiary company, Queen's Lettings Management. 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 1st 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. If LBH were to let these properties directly, without involving QLM, they would only be permitted to charge 90% of the 2011 LHA rate. The net cost avoidance over the ten year lease would be £3.8 million revenue (compared to £1.8m revenue plus £5.3m of capital receipts (total £7.1m) with QLM). This would be the worst case scenario if QLM were to fail.
60. QLM delivers greater cost reductions as the scheme is able to attract rents at the current LHA rates and not the 2011 LHA rates subject to a 10% reduction for Temporary Accommodation. This increases the rents flowing into the Council. The lease cost of the building is linked to the LHA rates, so tenant's rents can be increased in line with any increases in the lease.
61. In 25-26, LBH will have to pay a grant to QLM of £327k and for each year thereafter, a grant in the £220 to 250k region each year. This can be funded from the Homelessness Prevention Grant, (some grant funding is necessary in order for LBH to claim exemption from stamp duty on the headlease). In addition to the annual funding, a loan of up to £120k from LBH to QLM will be needed to manage QLM's cashflow, due to delays with housing benefit, and the general timings of payments and income. This is a subsidy of an organisation and therefore any such subsidy funding will need approval under the relevant subsidy rules. At present the scale of the subsidy is unlikely to trigger any breach. But this should be kept in mind as LBH directs more of these arrangements through QLM.

62. There is no financial spend by LBH or QLM until the works on the building are completed and the property is handed over.
63. Given the forecast demand over the next few years, including having to decant around 380 families from our shortlife properties during this time, there should be no problem in filling these places. Households are matched to new properties according to various criteria (including size and suitability of the property, location, affordability, medical needs, caring needs, schooling and religious needs). Of the current 257 households currently in hotels and nightly lets, approximately half of them are likely to be suitable to move into Eastgate House. In the unlikely event that LBH cannot find enough suitable households to fill Eastgate House, it will be possible for QLM to offer some of the units to other councils, or private renters. It is likely however that demands in temporary accommodation are likely to rise. There is a focus nationally on providing housing as this is a pressure nationally. Havering needs to develop a strategy that brings into account the National and Local position and forecasts and blends delivery models.
64. Stamp Duty (SDLT) on the lease is budgeted at £226k in the QLM expenses. 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.

**Legal implications and risks:**

65. The Council has obtained external legal advice from Browne Jacobson LLP on this transaction. Their legal advice is attached to this report as an Appendix together with the Chesham House legal advice therein referenced.
66. There are four main elements of the transaction which require legal analysis:
67. Whether the Council has the power to enter into the transaction
68. Public procurement
69. Subsidy control compliance
70. Position in relation to housing benefit rates

**Powers**

77. The Council has the power to enter into the Lease with NHG 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.

78. 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.

79. 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.

### **Public Procurement**

80. The Council can enter into the agreement for lease with NHG without needing to run a procurement process which complies with the Public Contracts Regulations 2015 (**PCRs**). This is because NHG own Eastgate House 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.

81. The Council should publish a Contract Award Notice in relation to the Agreement for 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.

82. 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.

### **Subsidy Control**

83. 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.

84. Any grant given to QLM for this purpose is likely to be cumulated with grant given in relation to the Chalkhill programme, and the Chesham House project, 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.

### **Housing Benefit**

85. As QLM would be regarded as a private sector landlord for the purposes of the housing benefit regime, the Council will be able to pay housing benefit to applicants granted assured shorthold tenancies of the Units by QLM up to the Local Housing Allowance rates set by the Rent Officer for the Outer North East London BRMA for units of this type (per regulations 13C and 13D of the Housing Benefit Regulations 2006).
86. So long as the rents that QLM charged tenants did not exceed the applicable LHA rate, the Council may pay housing benefit at a rate of 100% of a tenant's rent and eligible service charges and claim 100% of that housing benefit back through housing benefit subsidy (per articles 11 and 13 of the Income-related Benefits (Subsidy to Authorities) Order 1998).
87. If the rent charged by QLM exceeded the applicable LHA rate then there would be a deficit between the rent that an applicant was required to pay QLM and the housing benefit they could claim, which would be likely to result in that applicant accruing rent arrears and/or QLM operating and managing the units at a deficit (that would need to be met out of Council funds).
88. The Council could elect to retain the Units and to use them directly as temporary accommodation. However, in those circumstances the housing benefit subsidy that the Council could claim would be capped at the 2011 LHA rates rather than the 2024 LHA rates (per articles 17 and 17A of the Income-related Benefits (Subsidy to Authorities) Order 1998). This would be highly likely to result in a housing benefit subsidy deficit that would need to be met out of Council funds.

### **Human Resources implications and risks:**

89. We do not anticipate increasing the workforce to provide an onsite intensive housing management service for the 34 two beds in Basildon.
90. However, the enhanced housing benefit rate will likely subsidise the costs of the staff that will manage the out of borough scheme.

### **Equalities implications and risks:**

91. 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:
- 91.1 The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

- 91.2 The need to advance equality of opportunity between persons who share protected characteristics<sup>1</sup> and those who do not, and;
- 91.3 Foster good relations between those who have protected characteristics and those who do not.

92. The Council is committed to all of the above in the medium term provision of Eastgate 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.

93. Eastgate 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.

94. 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**

95. 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

96. 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

97. It is anticipated that the mobilisation of this proposal and the delivery of accommodation of acceptable standard will reduce the Council's dependency

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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.

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. .

98. Housing such as Eastgate 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.
99. 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.
100. Housing such as Eastgate 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.
101. 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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