



Havering

LONDON BOROUGH

OVERVIEW & SCRUTINY BOARD AGENDA

7.00 pm

Wednesday
25 March 2026

Havering Town Hall,
Main Road, Romford

Members 11: Quorum 5

COUNCILLORS:

Conservative Group (3)

Dilip Patel
David Taylor
Vacancy

Labour Group (2)

Jane Keane
Matthew Stanton

Havering Residents' Group (5)

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

East Havering Residents Group (1)

Martin Goode

For information about the meeting please contact:
Anthony Clements 01708 433065
anthony.clements@havering.gov.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.

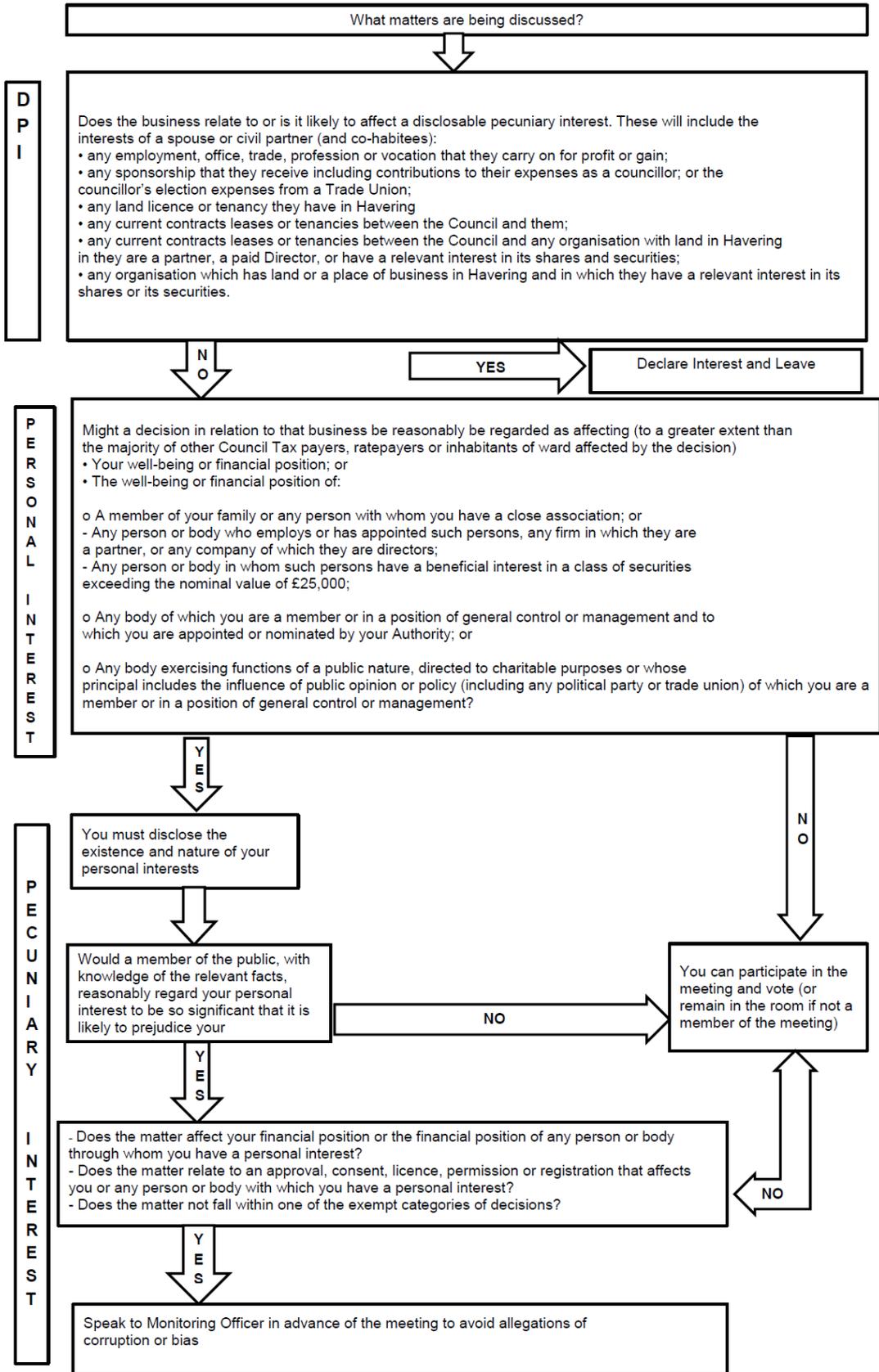
The Board is politically balanced and includes among its membership the Chairmen of the six themed Overview and Scrutiny Sub-Committees.

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
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DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



Principles of conduct in public office

In accordance with the provisions of the Localism Act 2011, when acting in the capacity of a Member, they are committed to behaving in a manner that is consistent with the following principles to achieve best value for the Borough's residents and to maintain public confidence in the Council.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

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 CALL-IN OF EXECUTIVE DECISION - BUILD TO RENT - AT THE LOCAL HOUSING ALLOWANCE (Pages 7 - 168)

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

Zena Smith
Head of Committee and Election Services

Overview & Scrutiny Board

25March 2026

Subject Heading:

Call-in of Executive Decision -
Build to Rent – At the Local Housing
Allowance

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 Robert Benham, Nisha Patel Keith Prince, Philip Ruck, Tim Ryan, Matthew Stanton, David Taylor, Christine Vickery and Michael White) have called-in the Cabinet Decision dated 11 Mach 20265

The grounds for the requisition are:

That we are not assured that:
Proper procurement has been conducted
Other suppliers have been looked at

This decision is being rushed through
Due diligence had not been conducted

The Executive Decision itself is attached (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

- Key Executive Decision report and appendices.

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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Exempt Appendices B, C and D to this Report are not available for public inspection as they contain or relate to exempt information within the meaning of Paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972.

CABINET

Subject Heading:

Build to Rent – At the Local Housing Allowance

Cabinet Member:

Councillor Natasha Summers – Lead Portfolio Holder for Living Well Housing Demand

ELT Lead:

Patrick Odling-Smee - Director of Living Well

Report Author and contact details:

Darren Alexander, Assistant Director Housing Demand
darren.alexander@havering.gov.uk

Policy context:

01708 43 3751

This report sets out the proposal to enter into a 40-year nomination agreement with Inspired Solutions to deliver up to 600 build to rent properties across Havering in order to secure our long-term future for local people. Inspired Solutions will identify and purchase existing available land in the borough with planning permission and deliver a range of affordable homes at the current local housing allowance (LHA 2024) for the 40-year nomination agreement. The proposal would have General Fund implications.

Financial summary:

This initiative has the potential to deliver up to 600 family-sized homes, with an initial first tranche of up to 71 units.

Phasing delivery in this way enables the Council to manage costs, build operational capacity, and discharge its housing duties through secure private rented accommodation. To further mitigate the risk of voids, the Council will prioritise nominations from the Housing Register, which currently includes over 3,000 households. Where households are suitably housed or demand is exceeded, the properties may also be used to support alternative priorities, including the provision of key worker accommodation or Local Housing Allowance-level private rented homes for Havering residents.

We anticipate that the first 71 units (up to 100 units) will produce a revenue cost avoidance of circa £56m total across the 40 year period, making a total of £0.690m benefit to Havering in year 1. If the Council were to deliver all 600 units, the maximum potential cost avoidance would be £580m over 40 years, although modelling indicates that only the first 71 units (up to 100 units) would directly offset Temporary Accommodation costs unless other planned housing projects fail to materialise. For the full £580m to be recognised other schemes within the pipeline to address TA would have to not materialise. However, even if the other schemes do not materialise it is likely that the supply from Inspired Solutions will outstrip the TA demand and therefore to be prudent the paper focuses on the cost avoidance from (and only seeks authority to enter into a property specific nomination agreement in respect of) the first 71 units.

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 40-year nominations agreement with Inspired Solutions for the delivery of up to 600 family sized dwellings in Havering over the next 7 years, to meet its Part7, Housing Act 1996 duties to secure accommodation for homeless families.
2. The total anticipated cost of voids, bad debt, repairs and maintenance over 40 years for Inspired Solutions is £173m, with ancillary costs to the Council covering staffing, furniture provision, and other mitigating costs being £21.6m.
3. The scheme will enable the local authority to secure long term Private Rented Accommodation (PRS) within its locality and exit hotel and nightly charged accommodation altogether with a mixed portfolio of move-on housing options. This exit will secure Havering's long-term future and bring stability to the housing budget over the longer term.
4. The rent charged for the 600 units will not exceed the Local Housing Allowance Rates 2024 and indexation will be limited to and track the rates set by Department of Working & Pensions (DWP). If the Council were to deliver all 600 units, the maximum potential cost avoidance would be £580m over 40 years, although modelling indicates that only the first 71 units would directly offset Temporary Accommodation costs unless other planned housing projects fail to materialise. The forecast for inflation has been factored into the modelling.

RECOMMENDATIONS

5. Cabinet is asked to resolve:
 - 5.1. To approve in principle the proposal to enter into an overarching nominations agreement with Inspired Solutions under which property-specific nominations agreements for the delivery of up to 600 build to rent properties across Havering can be agreed and further under which the Council will have the benefit of a 40 year 100% nominations agreement with Inspired Solutions upon practical completion of developments that meet the Council's assessed housing needs, regulatory requirements and relevant standards (the **Overarching Nomination Agreement**).
 - 5.2. To approve in principle the proposal to enter into the first property-specific nominations agreement in respect of up to 100 units under which the Council will provide rent guarantees up to current (2024) LHA for the forty year term and from the date of practical completion of those units in exchange for the unfettered right to nominate tenants from the Council's housing lists (the Property Nomination Agreement).

- 5.3. To delegate authority to the Director of Living Well to negotiate and complete the Overarching Nomination Agreement with Inspired Solutions subject to:
- 5.3.1. the Overarching Nomination Agreement containing satisfactory safeguards that ensure that the Council will only be required to enter into a Property Nomination Agreement in respect of properties:
 - 5.3.2. that will make a material contribution to meeting the Council's assessed housing needs;
 - 5.3.3. that benefit from all necessary consents, approvals and permissions; and
 - 5.3.4. That comply with standards published by the Regulator of Social Housing from time to time;
 - 5.3.5. an assessment of any potential subsidies under the Subsidy Control Act 2022 through which assessment it is determined either that no subsidy will be provided to IS or that a subsidy can lawfully and transparently be provided to IS in accordance with the Act; and
 - 5.3.6. consultation with the Strategic Director of Resources and the Monitoring Officer.
- 5.4. To delegate authority to the Director of Living Well to negotiate and complete the first Property Nomination Agreement for up to 100 units with Inspired Solutions subject to:
- 5.4.1. the Council's total estimated liabilities under the Property Nomination Agreement being no greater than the offset TA costings set out in this paper;
 - 5.4.2. the Director of Living Well in consultation with the Strategic Director of Resources being satisfied that there is provision within the Council's existing budget for any costs that the Council is likely to incur in entering into the Property Nomination Agreement and that the decision is accordingly wholly in accordance with the Council's Budget and Policy Framework;
 - 5.4.3. the Property Nomination Agreement containing safeguards that adequately mitigate the financial risk(s) to the Council (set out in section 30 of this report);
 - 5.4.4. the Director being satisfied that the properties are wholly in accordance with the Council's assessed housing needs;

- 5.4.5. the property units satisfying the standards prescribed by the Regulator of Social Housing;
- 5.4.6. the Property Nomination Agreement including positive covenants on Inspired Solutions to maintain the properties in accordance with those standards for the duration of the term;
- 5.4.7. an assessment of any potential subsidies under the Subsidy Control Act 2022 through which assessment it is determined either that no subsidy will be provided to IS or that a subsidy can lawfully and transparently be provided to IS in accordance with the Act; and consultation with the Strategic Director of Resources and the Monitoring Officer.

REPORT DETAIL

Main causes of homelessness and why the demand for hotels

- 6. 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 £6.1m (23/24) and £3.2m (24/25) overspend occur in those year-end positions respectively. Growth of £3.9m was applied in 2025/26. The forecasted outturn for 2025/26 is £1.1m overspend.
- 7. 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 inaccessible for Londoners.
- 8. Local authorities in London can no longer rely on a fraught private rented sector and Havering Council must secure its own supply of affordable private rented accommodation to avert the risk a continued unsustainable nightly charged market.
- 9. The nightly charged market has become a detrimental form of accommodation provision, driven by private landlords moving away from traditional assured shorthold tenancies towards poorer quality homes let at rents exceeding market levels. This has distorted the housing market and is contributing to the displacement of even dual income households from London.
- 10. Havering Council is accommodating 1,030 households in temporary accommodation, with 750 households residing in private sector leased properties or ex council accommodation earmarked for demolition, which is not a long-term solution. Demand and supply modelling indicates that, by 2029/30, all but 40 of the

400 private sector leased properties are expected to be returned. This creates a significant barrier to housing people in need of Temporary Accommodation, without a means to place households into permanent accommodation there is accommodation blocking happening in our emergency TA stock resulting in increased use of nightly accommodation.

11. Demand and supply modelling shows that the number of households requiring accommodation through the homelessness service is projected to increase significantly over the medium term, rising from approximately 358 households in 2026/27 to around 850 households by 2029/30. While a proportion of these households will resolve their housing need through prevention activity and access to the private rented sector, a substantial and growing number will continue to require emergency accommodation each year.

12. The provision of fewer homes would reduce the Council's ability to absorb this increasing demand and would delay the point at which reliance on nightly charged and hotel accommodation begins to fall. In contrast, securing up to 600 long-term private rented homes creates sufficient scale to stabilise the system, reduce length of stay in emergency accommodation, and prevent the cumulative year on year growth of hotel use as demand peaks later in the decade. -charged and hotel accommodation begins to fall. In contrast, securing up to 600 long-term private rented homes creates sufficient scale to stabilise the system, reduce length of stay in emergency accommodation, and prevent the cumulative year-on-year growth of hotel use as demand peaks later in the decade.

13. Modelling indicates that, over time, the scale of delivery could exceed demand for Temporary Accommodation. In these circumstances, any additional homes would be used to address need on the Housing Register, which currently includes over 3,000 households. While this would not generate direct cost-avoidance savings, it would enable families and individuals to move into more suitable, stable accommodation, delivering wider social, health and wellbeing benefits for residents.

14. To further mitigate the risk of voids, the Council will retain flexibility over use of the homes, including prioritising Housing Register nominations and, where appropriate, supporting alternative uses such as key worker accommodation or Local Housing Allowance-level private rented homes for Havering residents.

15. Therefore, it is suggested that our current trajectory for securing nightly charged and hotel accommodation is unsustainable and requires immediate action to increase supply in order 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.

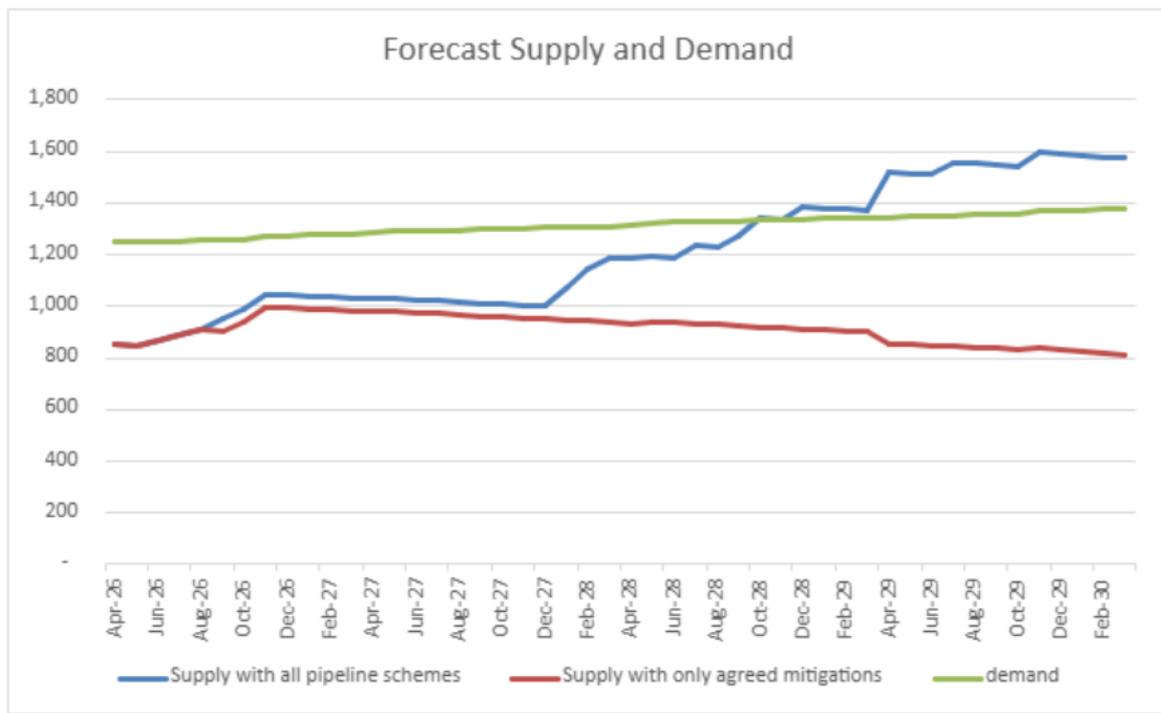
16. In the last 3 years, 40% of those households moved out of hotels of their own accord or into the private rented sector. This year approximately 24 new households each month end have been placed in hotels or nightly rate accommodation while waiting for an opportunity to move on. Havering do not have

the supply to meet this need and are at risk continuing to spend a gross cost of circa £851k each month. Only approximately one-third of this cost can be met by housing benefit at the local housing allowance 2011 less 10%.

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

18. Graph 1 illustrates the risk to the council of not taking action. The green line shows the projected demand for Temporary Accommodation over the period which is anticipated to continue to grow. The red line represents the supply of properties if only the currently agreed mitigations are delivered; under this scenario, supply declines in later years as Private Sector Leased properties are handed back and other schemes come to an end, alongside the potential decanting of TAGEN properties. The blue line shows the position if all pipeline schemes were to materialise. In this scenario, supply is expected to exceed demand, creating a point at which properties could be repurposed for other Council housing needs. All figures shown are based on forecast data and therefore subject to change.

19.



20. Inspired Solutions

21. Under the terms of the Overarching Agreement, Inspired Solutions will look to secure available land that has existing planning permission in Havering where they can develop 70 to 150 unit blocks for private rent.

22. They will deliver in tranches of 70 to 150 units of accommodation designed to meet the needs of homeless families in hotels and nightly charged accommodation.

23. Inspired Solutions will fund the development and delivery of the residential blocks at no capital cost to Havering. Although Havering will have the ability to agree the number of homes, the type and mix of homes, the specification and design of those homes before entering into a Property Nomination Agreement. So long as Havering's requirements are met, Havering will then enter into a Property Nomination Agreement for 100% nomination rights in the properties, and under which Havering guarantee Inspired Solutions' rental income in respect of those units at current Local Housing Allowance (LHA) rates (updated in accordance with the LHA rates published by the DWP) by guaranteeing (among other things) rent for void periods, covering tenants' rent arrears and topping up rents to LHA rates where tenants are unable to meet rents at this level.
24. Inspired Solutions will appoint a Management Company to manage the properties and to collect rent and service charges from tenants. The Management Company will be responsible for maintaining the properties in a lettable condition and in accordance with standards prescribed by the Regulator of Social Housing at all times. The Council will not be responsible for rent during periods when properties are void because they have not been maintained appropriately by the Management Company or where there has been third party or accidental damage that renders a unit temporarily unlettable.
25. Inspired Solutions will grant fixed term assured shorthold tenancies with a minimum term of 12 months (or periodic assured tenancies following commencement of the Renters' Rights Act 2025) thereby enabling Havering to end its main housing duty under s.193(2) of the Housing Act 1996 through the making of private rented sector offers (PRSOs).
26. We anticipate that the first tranche of properties will be delivered in late 2028 early 2029 with further tranches in subsequent years.
- 27. Costs to Havering to deliver 600 properties at the local housing allowance 2024 – see appendices**
28. Havering will need to take appropriate steps to mitigate the risk of claims by Inspired Solutions under the rent guarantees that Havering will provide in exchange for 100% nomination rights over the properties. These steps will include:
- 28.1. In respect of rent guarantees for void periods:
- 28.1.1. Ensuring that Havering has robust procedures in place to effect nominations promptly upon receiving notice from Inspired Solutions that a unit is void and available for nomination.

28.1.2. Ensuring that the Overarching Nomination Agreement and any Property Nomination Agreement afford Havering the opportunity to nominate tenants from the largest possible pool(s) of candidates including, those to whom Havering owes a homelessness duty, those on Havering's Part 6 waiting list who might wish to volunteer to take a private tenancy of one of the available units, key workers in need of affordable accommodation close to their place of work, and anyone else Havering determines to be in housing need in its Borough.

28.1.3. Ensuring that the Property Nomination Agreement clearly and unequivocally allocates liability for voids that are properly the fault of or attributable to any act or omission by Inspired Solutions, its management company or any other person or company acting on its behalf to Inspired Solutions.

28.1.4. Ensuring that Inspired Solutions obtains insurance in respect of any reasonably foreseeable and insurable events that might render a property unlettable in the short or medium term, including accidental or other damage caused by tenants nominated by the Council or persons associated with them. The Council may fund such insurance where it considers it financially prudent to mitigate the risk that the Council's risk guarantees may be triggered.

28.2. In respect of rent arrears:

28.2.1. Havering will require Inspired Solutions, through the Property Nomination Agreement, to implement timely and effective rent collection procedures and techniques.

28.2.2. Havering will require Inspired Solutions, through the Property Nomination Agreement, to work with the DWP to enable Inspired Solutions (or its management company) to effectively collect rent and services charges, including through the direct payment of social security benefits to Inspired Solutions or its management company by the DWP.

28.2.3. Havering will require Inspired Solutions (or its management company) to take reasonable steps to enforce rent arrears and to provide evidence of the steps taken to Havering before claiming under the rent guarantee provisions in the Property Nomination Agreement.

28.3. In respect of rent top-ups:

28.3.1. Havering will provide such advice and support as it can to enable tenants nominated by it to properties owned and managed by Inspired Solutions to claim such social security benefits as they are entitled to.

REASONS AND OPTIONS

Reasons for the decision:

29. To continue to secure accommodation for families at risk of homelessness:

30. Increase the number LHA affordable private rented homes for local people

31. To exit families out of nightly charged accommodation and hotels and sustain our position.

Other options considered:

32. Continue to use nightly charged accommodation.

33. Over the last 12 months the Council have placed high volumes of families into hotels and nightly charged accommodation and this has been a concern particularly for those affected with stays beyond the statutory 6-week limits. Nightly charged accommodation continues to remain the highest risk and the highest cost and should only be used in emergencies and as a last resort. This insecure accommodation does have an impact on the wellbeing of our families and children.

34. Procure properties through a long-term lease agreement with a purchase option.

35. Discussions are taking place with providers to purchase properties and lease to the council on a 40-year 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.

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

37. 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.

38. The Council to purchase properties through the HRA

39. 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.

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

41. 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.

42. Develop new supply of homes through the regeneration programme

43. 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 almost complete on the development a new Family Assessment Centre in Harold Hill and that will provide temporary accommodation for homeless households however based on our existing modelling this will not address move on for those households settled in nightly paid homes.

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

45. 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:

46. Temporary Accommodation continues to create significant and unsustainable budget pressures for the Council. This mirrors the national picture, where the number of households presenting as homeless has risen sharply due to the wider economic crisis, inflationary pressures and the ongoing cost of living challenges. These pressures affect not only those seeking assistance but also private landlords, who have been impacted by recent legislative changes and are

increasingly withdrawing from the market. As a result, demand for Temporary Accommodation is expected to remain high for the foreseeable future.

47. The Inspired Solutions scheme forms one part of a wider portfolio of actions designed to increase the supply of suitable accommodation. On its own it offers a clear cost avoidance opportunity, and as the wider portfolio is delivered, the Council will be able to reduce overall expenditure. The scheme is therefore assessed below on a standalone basis.

48. The Council is considering entering into a 40-year nominations agreement with a delivery partner who will fund and develop new properties using pension fund backed investment. The provider will finance, construct and own the units, receiving rental income directly from the Department for Work and Pensions through eligible tenants. The Council will secure nomination rights for the full term, with its financial exposure limited to void losses, repairs over and above general repairs and maintenance (including malicious damage), any bad debt arising from unrecoverable rent or service charge shortfalls, and potentially insurance contributions depending on the final structure of the agreement. In addition to these core liabilities, a small number of ancillary costs may arise, such as staffing capacity, legal costs and discretionary support including furniture packages. These have been recognised within the financial modelling, and the cost avoidance figure reflects the net saving after all such liabilities have been taken into account.

49. The scheme consists of an initial 71 units (although can be up to 100), with an option to increase delivery by up to 600 units. These homes will be used to move families out of hotel and nightly paid accommodation and will be managed by Inspired Solutions' wholly owned management company. At the end of the 40year lease, the Council has the option, but not the obligation, to purchase the properties at a substantial discount, estimated at around 5% of market value. This provides long-term flexibility: the Council can secure ownership at a low cost if financially advantageous, or simply allow the nominations agreement to expire without further commitment.

50. In 2025–26, the Council is forecasting expenditure of approximately £10m on hotel and nightly let accommodation. Replacing 71 units of this expensive provision with the more affordable Inspired Solutions units will generate significant cost avoidance. In the first year, the estimated cost avoidance is £690k, reflecting the immediate reduction in nightly paid accommodation usage as the initial units come online. Over the 40year term, the total estimated cost avoidance is £56.6m. This figure is based on the average nightly rate currently paid for Temporary Accommodation, less the Housing Benefit contribution that would ordinarily be received by the Council, and assumes that 25% of the units will be allocated to households on the housing waiting list rather than Temporary Accommodation. All liabilities associated with the nominations agreement, including any ancillary costs, have been fully reflected in the financial modelling, and the £56.6m represents the net saving after these have been taken into account. There is a risk that inflation may be higher than forecast in the modelling, which could reduce the scale of cost reductions achieved.

51. If the Council were to pursue the full 600unit option, the total cost avoidance could reach approximately £580m over 40-years, assuming all units were occupied by households in Temporary Accommodation. However, modelling indicates that beyond the initial 71 units, supply would exceed projected Temporary Accommodation demand, meaning additional units would instead meet wider housing needs and therefore would not generate further cost avoidance savings. This position depends on the successful delivery of other housing projects; if these do not materialise, additional cost avoidance benefits could arise. Across the full 40-year period, the total potential cost avoidance remains £580m. The modelling is based on current trend information and demand forecasts. While the assumptions are reasonable and grounded in the sustained increase in Temporary Accommodation numbers, there remains a risk that cost avoidance benefits may not fully materialise if demand reduces in future years. At present this risk is considered low, as Temporary Accommodation demand continues to rise both locally and nationally.

52. There is no financial outlay for the Council until practical completion of each development. All costs that the Council is responsible for under the nominations agreement voids, bad debt, and repairs over and above general repairs and maintenance will be met from existing Temporary Accommodation budgets. These costs replace the significantly higher nightly paid accommodation costs currently incurred. As the costs under this scheme are materially lower than nightly paid rates, the scheme generates a net cost reduction for the Council. Given forecast demand, including the need to decant around 380 families from short-life properties over the next few years, the Council should have no difficulty filling the units. Where appropriate, the Council may also nominate households from the housing register who do not require larger accommodation.

53. The main operational challenge will be ensuring sufficient staffing capacity to fill all 71 units quickly at the outset to minimise void losses, although advance preparation can mitigate this risk. If the Council takes no action, the rising demand for Temporary Accommodation will continue to drive costs upward, resulting in additional expenditure of at least £580m over the next 40 years to house these families in nightly paid accommodation. A mixed portfolio of schemes is therefore essential to reduce risk and ensure resilience, and this scheme forms an important component of that balanced approach.

54. Voids represent the most material risk, as the Council must cover rent during periods where no eligible tenant is in occupation. However, the void risk for this scheme is considered low. The properties are being purpose built to LBH requirements and will be newly constructed, modern units that are attractive to households and therefore easier to let quickly. Combined with strong and rising demand for Temporary Accommodation, and the Council's ability to maintain preapproved waiting lists and robust nomination processes, the likelihood of sustained void periods is minimal.

55. Exceptional repairs may create periodic spikes in expenditure over the 40-year term, particularly where major components require replacement. Bad debt risk is expected to be low given that rental income is largely covered by DWP

payments, but delays in benefit processing or ineligible tenants may create occasional shortfalls. Overall, these risks are manageable and proportionate to the benefits delivered.

56. The arrangement also offers long-term strategic benefits, including increased housing supply, reduced reliance on costly nightly paid accommodation, improved budget stability and the ability to plan for long-term demand. By securing nomination rights for 40 years, the Council gains predictable access to accommodation at agreed rent levels, avoiding exposure to market volatility and the escalating costs of Temporary Accommodation.

57. The Subsidy Control Act 2022 requires the Council to assess whether any financial assistance it provides confers an economic advantage on an enterprise. The nominations agreement itself does not constitute a subsidy, as the provider is funding the development independently. However, the proposal for the Council to contribute to or underwrite elements of the provider's insurance arrangements may constitute a subsidy if it reduces the provider's operating costs on terms more favourable than the market. Should this be the case, the Council must ensure any support is proportionate, necessary and compliant with the Act, potentially through the Minimal Financial Assistance route or the Services of Public Economic Interest framework. A formal subsidy control assessment will be required before entering into the agreement to document the rationale, proportionality and compliance route.

58. There are also strategic and delivery related risks, including the possibility of delays in securing planning permission, identifying suitable sites or progressing developments to completion. These factors could slow the delivery of units and delay the realisation of cost avoidance benefits.

59. Overall, the risks associated with the scheme are manageable and proportionate to the financial and strategic benefits it delivers.

60. Legal implications and risks:

61. The Council has obtained external legal advice from Browne Jacobson LLP on this transaction. Their detailed legal advice is attached to this report as a confidential appendix.

62. Powers

63. The Council has the power to enter into the Overarching Nomination Agreement and the Property Nomination Agreement with Inspired Solutions pursuant to 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).

64. The Council has power under Part 7 of the HA 1996 to secure that accommodation is made available to people to whom it owes such a duty from someone other than the Council, in this case Inspired Solutions.

65. The Council may also end its homeless duties under S193(2) of the HA 1996 by nominating applicants for private rented sector offers (PRSO) of assured shorthold tenancies with a fixed term of at least 12 months of properties provided by Inspired Solutions.

66. Public Procurement

The Council can enter into the Overarching Nomination Agreement and the site-specific nominations agreement with Inspired Solutions without needing to run a procurement process which complies with the Procurement Act 2023. This is because the Nominations Agreement is considered to be an interest in or right over land and buildings which is an exempted contract under Schedule 2, Part 2, paragraph 8 of the Procurement Act 2023.

67. Subsidy Control

68. The provision of a guarantee of voids and unpaid rent may constitute a “subsidy” under the Subsidy Control Act 2022 (SCA 2022), as may any contribution to Inspired Solutions’ costs or insurance. This means that the Council will need to conduct an assessment of whether there is a subsidy (in which case assess the subsidy against the subsidy principles contained in Schedule 1 to the SCA 2022) or whether a commercial market operator would enter into the transaction given the costs avoidance.

69. Housing benefit

70. As the units will be let by Inspired Solutions tenants nominated by the Council should be able to claim the housing element of Universal Credit directly from the DWP at up to current (2024) Local Housing Allowance rates. Where those tenants are currently claiming housing benefit from the Council, they should be migrated by the DWP onto Universal Credit when their tenancy agreement is completed.

Human Resources implications and risks:

71. The recommendations made in this report give rise to increase the existing workforce to deliver onsite intensive management support at Inspired Solutions Properties.

72. Although Concierge services will be provided by Inspired Solutions that provides security of the building.

73. 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.

74. This means a formal restructure process may or may not be required in 2028/29 and that will involve the drafting/amending of new/existing Job Profiles and their submission for evaluation and a formal restructure consultation process.

Equalities implications and risks:

75. 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:

- 75.1. The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- 75.2. The need to advance equality of opportunity between persons who share protected characteristics¹ and those who do not, and;
- 75.3. Foster good relations between those who have protected characteristics and those who do not.

76. In accordance with the Public Sector Equality Duty under section 149 of the Equality Act 2010, the Council has had due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations. The proposal is expected to have a significant positive impact on groups disproportionately affected by homelessness and prolonged stays in hotel and nightly-paid accommodation, including children and families, minority ethnic households, disabled people, pregnant women, lone parents and other vulnerable residents. Moving households into self-contained, long-term accommodation at Local Housing Allowance levels is likely to improve stability, health, wellbeing, safeguarding and access to education, healthcare and employment. Equality risks relate primarily to ensuring fair and transparent nomination processes, appropriate property mix and accessibility, and sustained oversight over the 40-year term. These risks are considered manageable and will be mitigated through needs-led allocations.

77. Inspired Solutions 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 ongoing 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.

78. We will also make every effort to ensure that households with protected characteristics, age, disability, gender reassignment, marriage and civil

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

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

79. Havering council is committed to improving the health and wellbeing of its residents. The provision of accommodation other than hotels has a high potential to improve both the physical health and mental wellbeing of the residents.

80. Housing instability and poorly designed housing undermines our health and is associated with increased risk of ill health including stress, anxiety, in-ability 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 for their bonding and development thus this has a wider impact on 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

81. 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.

82. Housing such as Inspired Solutions (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.

BACKGROUND PAPERS

Exempt Appendices A, B, C and D to this Report are not available for public inspection as they contain or relate to exempt information within the meaning of Paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972.

Appendix A: High Level Financial Model Havering Council

Exempt Appendix B: Legal Advice

Exempt Appendix C: Draft Heads of Terms with Inspired Solutions

Exempt Appendix D: Inspired Solutions Proposal

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Inspired Solutions	Total for life of contract	Total for life of contract
Number of properties	71	600
Voids	4,572,261	38,609,792
Bad Debt	2,286,130	19,304,896
Repairs - above and Beyond	12,989,668	115,154,884
Legal Costs	200,000	200,000
Furniture discretionary fund	213,000	1,800,000
Insurance	2,338,140	20,727,879
Additional Staff	12,806,715	15,760,393
Mitigating Costs	457,226	3,860,979
Total costs Potentially Payable by LBH	35,863,140	215,418,823
Cost Avoidance Nightly Charged Accommodation	135,915,223	1,204,903,935
Loss of HB income	24,464,740	216,882,708
Total Cost Avoidance	75,587,343	772,602,403
25% reduction due to private market tenants	18,896,836	193,150,601
Total Cost Avoidance after 25% reduction	56,690,507	579,451,802

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