



London Borough of Enfield

Report Title	Accommodation for homeless households – Shareholder Approval for HGL lease and Other Matters.
Report to	Cllr Caliskan, Leader of the Council
Executive Director / Director	Joanne Drew, Strategic Director of Housing and Regeneration
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Ward(s) affected	All
Key Decision Number	KD 5633
Classification	Part 1 and 2 (Para 3)
Reason for exemption	Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Purpose of Report

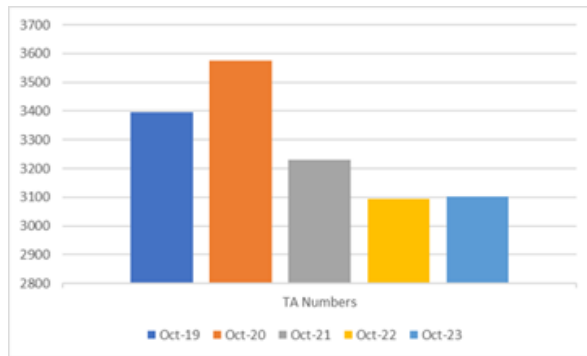
1. This report identifies the opportunity to secure 78 homes in the outer London area as an alternative to unsuitable and expensive temporary hotel accommodation. This report seeks approval from the Leader of the Council on behalf of the Council, as Shareholder, for Housing Gateway Ltd (HGL) to enter into a 5 year lease arrangement and a Management Contract and for the Council to enter into a nominations agreement with HGL.

Recommendations

- I. In line with the approved Accommodation Strategy and Placement Policy agree the need for accommodation to provide suitable accommodation to homeless households including those that have been in hotel accommodation for over 6 weeks.
- II. Authorise officers to carry out all necessary due diligence and to negotiate terms for any leases and other contractual arrangements with the property sourcing company, the seller, HGL Ltd and other interested parties within the financial parameters set out in this report in relation to the Property detailed in Part 2 of this report.
- III. Agree to enter into a nominations agreement with HGL Ltd in respect of the dwellings comprised in the property and to delegate authority to the Strategic Director of Housing and Regeneration, in consultation with the Director of Finance, Commercial, to approve the Nominations Agreement within the financial parameters set out in this report.
- IV. Give approval as shareholder to HGL Ltd to enter into a 5-year lease of the property detailed in Part 2 of this report comprising some 78 flats for the purpose of providing temporary accommodation subject to all necessary legal, financial and other due diligence on the proposed leasing and nominations arrangements and any associated management and other contracts and subject to approval of all documentation by the Director of Law and Governance.
- V. Note that HGL Limited will also enter into a Management Contract with the property sourcing company in relation to management of the property for the first year.

Background and Options

2. The Council is experiencing unprecedented demand from residents losing their homes. This is at a time when the private rented sector is contracting, rents are rising and there is a severe shortage of affordable privately rented homes across the whole of the southeast of England.
3. This shortage of affordable accommodation within the Borough means that few households have the financial capacity and opportunity to move out of temporary accommodation.
4. The supply of temporary accommodation has also fallen, and landlords are exiting the temporary accommodation market as they can gain higher returns through privately renting their properties. This has led to the use of hotels as emergency accommodation.
5. This means that although the number of households in temporary accommodation has not increased, the cost of provision has risen.



6. The Council is currently accommodating 185 households in hotels. Whilst these numbers are reducing as a result of the strategies the Council has employed, the supply of temporary and private rented accommodation is not sufficient to eliminate the use of hotels quickly enough to address the budget challenge.
7. The impact on families staying for extended periods in hotels is immense and this places extreme pressure on both the families and officers. Whilst this type of accommodation should only be for emergencies the reality is that it is being used for extended periods of time and in excess of our statutory duty. This makes the procurement of accommodation an urgent priority and a range of solutions are required as outlined in the Accommodation Strategy agreed by Cabinet.
8. This is mirrored by the financial cost to the Council. A £18.5m deficit was incurred for 2023-24, a significant element of which is caused by the cost of hotel accommodation and the impact of the welfare system of temporary accommodation.
9. Full details of the market factors impacting the availability of accommodation in Enfield can be found in the Cabinet paper "Homelessness in Enfield (5) – Housing residents where accommodation is affordable", KD 5625.

Shortage of Accommodation – Legal and Reputational Risks

10. Keeping households with children in shared accommodation for more than six weeks is a significant risk to the Council both legally and reputationally. Under the Homelessness (Suitability of Accommodation) (England) Order 2003 SI 2003/3326 households should not be in bed and breakfast accommodation for more than six weeks. Failure to meet this means that the Council is open to Judicial Review and Local Government and Social Care Ombudsman complaints., with no realistic defence. The average cost of settling a Judicial Review is around £20,000 for cases of this nature.
11. The Ombudsman has the power to award compensation to households housed in unsuitable accommodation for over six weeks. In a recently publicised case, a London Borough was ordered to pay £4,600 to a household who were accommodated in bed and breakfast for four months. The fact that there was no suitable accommodation available to rehouse the family was not an acceptable defence.
12. Enfield currently has 98 households with children who have been accommodated in bed and breakfast for more than six weeks. Whilst our national procurement activity is having an impact on the number of households in temporary accommodation, this is not securing sufficient properties fast enough to eliminate the use of hotels.

13. This is compounded by the fact that some households (about 20%) have an identified need to remain within a 90-minute travel radius of Enfield and this means that we cannot discharge our duty to these households without providing more local accommodation. The shortage of affordable accommodation within 90 minutes of Enfield means that we are unable to move these households into the private rented sector.
14. The accommodation would therefore provide a rapid resolution for 78 households through the provision of suitable temporary accommodation. This in turn would reduce the financial, legal and reputational risks to the Council.

Shortage of Accommodation – Financial Impact

15. The Housing Advisory Service rely on properties that can be rented at Local Housing Allowance (LHA) levels so that they are affordable to residents. The supply of private rented properties at LHA rents has reduced by 90% since April 2021 and 84% since April 2022. LHA increased in April 2024 but there is still a significant gap between average rents and LHA.
16. To address this the Council has moved to a national placement policy, securing accommodation for residents in parts of the country that are more affordable. This has increased the supply of private rented accommodation. However, the number of households approaching the Council for support has also increased. The net effect has been to slow the rate at which the Council can end the use of hotels.
17. This shortage of temporary accommodation means that the service has been dependent on commercial hotels and shared accommodation in recent months. This is not suitable for residents, particularly those with children, for any length of time.
18. The chart below shows the financial spend on commercial hotels during 2023-24.



19. The reduction in spend on hotels has been due in part to better management of the booking process. However, a key driver has been the reduction in the cost of hotel accommodation over the winter period. We anticipate that costs will begin to rise as we enter the spring and summer further driving the urgency to progress with this solution.
20. These pressures are not unique to Enfield and are being felt nationally. The problem is most acute in London and London Councils have been collating data from boroughs to monitor the effect of the current challenges. The table

below shows the year-on-year changes to September 2023 across Greater London which demonstrates the pressures and inability to seek rehousing for residents across the wider London area.

Homelessness pressures

	September 2022	September 2023	Responses including substitutions
Total number of homelessness presentations	7,928	9,079 ↑ +14.5% +1,151	32
Total number of presentations stating the main reason for the loss of a settled home as 'required to leave accommodation provided by HO as asylum support'	108	380 ↑ +251.9% +272	29
Total number of households owed a prevention or relief duty	4,323	4,206 ↓ -2.7% -117	30
Total number owed a prevention and relief duty that stated the main reason their loss of settled home as 'required to leave accommodation provided by HO as asylum support'	95	236 ↑ +148.4% +141	29
Total number of households in TA	59,284	63,631 ↑ +7.3% +4,347	32
Total number of Children in TA	70,584	72,695 ↑ +3% +2,111	27
Families in Bed and breakfast (B&B) hotels (including shared annexes)	932	2,168 ↑ +132.6% +1,236	32
Families in B&B hotels (including shared annexes) for longer than 6 weeks	357	1,329 ↑ +272.3% +972	31

Strategy

21. The Council's aim is to end the use of hotel accommodation by the end of June 2024 and to deliver sustained reductions in the use of temporary accommodation thereafter. In order to deliver this aim the Council has been reviewing opportunities which provide much needed, good quality accommodation quickly.
22. One of the opportunities identified is a development of 78 flats which has been converted to residential under permitted development rights. The building is being offered by a company specialising in sourcing accommodation. The company will take a long lease on the building (c.30 years) from the developer. HGL will then take a five-year lease from the company.
23. The lease of the units is subject to a series of stringent conditions to ensure safety, legality, and habitability. This includes the completion of a thorough property survey, obtaining building and planning approvals, securing a positive Fire Risk Assessment (FRA) report, and meeting Minimal Room Standards. Additionally, a Health and Housing Safety Rating System (HHSRS) inspection is mandatory to identify and mitigate any health and safety hazards. Compliance with established safety standards is further ensured by acquiring valid Gas and Electrical certificates. A comprehensive inventory of white goods (such as refrigerators, washing machines, and ovens) and other furniture to guarantee that the units are fully equipped and ready for occupancy.
24. It will be necessary for HGL to provide housing management services to the building. Due to the speed required to secure these properties, it is not possible for HGL to conduct a tender exercise. The property sourcing company can provide housing management functions and are in a good position to do so for the first year of the lease, whilst HGL considers a longer term solution. Any subsequent contract would need to be properly procured well in advance of the end of the one year contract so that any new provider can take over effectively at the end of the first year.

25. Further details of the property, lease and sale terms can be found in the part 2 report.

Preferred Option and Reasons For Preferred Option

26. The Council has considered the following options to procure the block:

Option A - Council Lease the Building

27. It is possible for the Council to enter into this lease directly and use the flats as temporary accommodation. However, this would mean the flats remain as temporary accommodation and due to the Housing Benefit regulations, the Council would not be able to recover the full amount of Housing Benefit paid to tenants from central government.

28. As a result, this option delivers £440k pa less savings than option b.

29. Also, the Council's strategy is to minimise Temporary Accommodation use, which this option will not deliver.

Option B - Housing Gateway Ltd Leases the Building

30. HGL is the Council's housing company which was created in 2014 to provide the Council with housing solutions as an alternative to temporary accommodation. Since this time HGL has created a portfolio of 633 owned properties and 261 leased properties, delivering savings in excess of £13.2m to the Council.

31. HGL would enter into a lease with the property sourcing company . HGL would deliver the housing management and would be responsible for lease payments and income collection. The Council would be responsible for placing families in the flats through a nominations agreement.

32. The Council would need to create a nominations agreement and fee which would be payable to HGL. Without this arrangement, the proposal is not financially viable. The nominations agreement would formalise the expectations between the Council and HGL about accommodation availability and placing families in the building.

33. In this scenario the flats could either be classed as temporary accommodation or private rented accommodation dependent upon the Council discharging their housing duty.

34. With either option, the flats would be shielded from the TA Housing Benefit regulations. Therefore, this option would deliver the most savings to the Council.

Other Options Considered

35. The Council has the option of not using the block to house families and could continue to focus on leasing stock elsewhere. However, the evidence in this report shows that finding suitable accommodation is particularly challenging in the present market and whilst families remain in hotel accommodation there will continue to be large budget pressures for the Council.

Recommendation and Reasons for Recommendation

36. The preferred option is B: HGL leases the building.

37. Option A: Council lease the building, is not recommended as this option incurs additional costs to the Council through the Housing Benefit subsidy regulations.
38. Option B: HGL lease the building. This is the most cost-effective option, as this shields the flats from the TA Housing Benefit regulations without requiring a large capital outlay. Also, this is the most flexible option as it allows the flats to be used either as TA or as private rented accommodation.

Risks and Mitigations

39. As with all leases there are risks attached to the proposal. Whilst these risks cannot be removed altogether, steps have been taken to mitigate them.
40. Risk: There is a risk that not enough suitable tenants can be found to move to the accommodation.
41. Mitigation: The Council has a clear Placement Policy which sets out the criteria for prioritising residents for more local accommodation. The Policy sets out the expectation that almost all households will need to relocate. There are currently 3,100 families in TA who all have the potential to be moved to the accommodation and officers are already mobilised to review casework files for suitable tenants. Priority will be given to those families currently in hotel accommodation. If, in the unusual circumstance that the Council could not find homeless families to place in the building, it could be offered to other Boroughs, the Home Office or let at market rents.
42. In the event that the building was surplus to the Council's requirements before the end of the 5 year term, the flats could be let by HGL at market rates. There is a continuing gap between LHA and market rent levels. The table below sets out the LHA from April 2024 against market rents in Outer North East London according to Home.co.uk.

	LHA 2024	Average Rent
1 bed	£997.27	£1,452
2 bed	£1,246.57	£1,762
3 bed	£1,495.91	£2,198
4 bed	£1,795.08	£3,011

43. Risk: There is a risk that quality of accommodation will not be sufficient. Mitigation: The property is a permitted development, converted to comply with all building regulations. Fixtures and fittings will all be new. Furthermore, the developer will have warranties for the work and HGL will be able to rely on these warranties.
44. Risk: HGL is unable to provide vacant possession at the end of the lease term.
45. Mitigation: HGL / the Council will work collaboratively to ensure that all residents are assisted to find alternative accommodation at the end of the lease. This will involve tailored case work to provide support and assistance for families to find alternative accommodation.
46. This risk will also be factored into the financial model in the form of reduced income in year 5 to reflect the need to vacate units.

47. Risk: Delay to the building works leading to a delay to the proposed ready to let date
48. Mitigation: The lease will not commence until the building is ready for occupation therefore the Council & HGL will not be exposed to additional costs. However, any delay to occupation will impact the Council as families will be kept in hotel accommodation for longer increasing the budget pressure.
49. Risk: Financial modelling assumptions are not met.
50. This scheme is modelled using a number of assumptions, the most volatile of those being repairs, bad debt and lease up rate. Whilst reasonable assumptions have been included in the model, it is important to recognise the risks around these areas and plan to mitigate them.
51. Mitigations:
52. Repairs – The property will have a Property Management presence on site during working hours. This service will seek to build good relationships with residents and ensure any reported repairs are actioned quickly, minimising further damage. The property management company will be contract managed by an in-house officer via regular property visits and agreeing a schedule of rates.
53. Bad debt – Rent for these properties will be set in line with LHA rates ensuring that tenants who are in receipt of full benefits will not be required to make additional contributions to the rent. Also, HGL has an Income Team in place with robust recovery processes who will manage arrears accounts and work with residents to ensure any arrears are minimised.
54. Occupancy rate – It is crucial that the property is let as quickly as possible to maximise rental income and minimise temporary accommodation costs. Enfield has identified suitable families to move to the block, ensuring that the accommodation is suitable for the families whilst also maximising savings for Enfield.
55. Further legal, financial and commercial risks are addressed in Part 2

Relevance to Council Plans and Strategies

Good homes in well-connected neighbourhoods.

56. In seeking to provide quality accommodation for homeless families, the proposal will increase the number and quality of homes available to families who would otherwise be living in hotel accommodation.

Sustain strong and healthy communities.

57. Poor quality housing and homelessness have been identified as key factors in health inequality. Through reducing the number of households reaching crisis point and increasing the supply and quality of rented homes we will help to reduce the impact of homelessness and poor housing on the health and wellbeing of our residents.

Financial Implications

58. See Part 2 report.

Legal Implications

59. The Council has general powers of competence contained in section 1 Localism Act 2011 and is therefore able to engage with HGL in this transaction.
60. HGL is a separate legal entity to the Council albeit that the Council is a shareholder. It will therefore need to follow its own authorised procedures for securing the lease and will need to take account of appropriate financial and legal advice. The lease of this property is within a set of reserved matters which the Council needs to approve as shareholder.
61. It is noted that a nominations agreement is proposed between HGL and the Council. Such agreement must be approved by Legal Services on behalf of the Director of Law and Governance.
62. Further legal implications are set out in the Part 2 report.

Equalities Implications

63. The decision to lease the property does not have any direct equalities implications. The impact on protected groups derives from the Placement Policy (approved by Cabinet on 7 June). This sets out the methodology used to allocate both temporary accommodation and privately rented homes and is designed to protect the most vulnerable residents. The policy will be used for the allocation of homes procured in London and other parts of the country.
64. An Equalities Impact Assessment has been completed. This found that although there was a differential impact on groups with protected characteristics, the impact of increasing the supply of local temporary accommodation was positive. The Placement Policy sets out the criteria that will be used to prioritise the most vulnerable households for the extremely limited supply of more local accommodation. The key impacts on groups with protected characteristics are as follows:

Socio-Economic Deprivation

65. The biggest differential impact was in socio economic deprivation which reflects the link between poverty and homelessness. The widening gap between benefit levels and rents across the Southeast is both driving increases in homelessness and limiting the supply of properties that can be used as an affordable solution either as temporary accommodation or as a permanent home. Increasing the supply of more local temporary accommodation will therefore have a positive impact on this group.

Ethnicity and Religion

66. Just 14% of households for whom the Council has accepted a duty described themselves as 'White British', compared with 52% of Enfield's wider population. The area is a multicultural area which celebrates many different ethnicities. However, it will be important to connect residents with their new communities. This issue was also identified as applicable for religious groups. Increasing the supply of more local temporary accommodation will therefore have a positive impact on this group.

Marriage and Civil Partnership and Pregnancy and Maternity

67. There is also an impact around marriage and civil partnership and pregnancy and maternity. For single parent households and new parents who are more

dependent on local support networks, relocation to a new area will be challenging. The Placement Policy will prioritise the more vulnerable households for local accommodation. Increasing the supply of more local temporary accommodation will therefore have a positive impact on this group.

Disability

68. Households with a disabled member of the family are more likely to be dependent on local support networks and services. The Placement Policy is designed to ensure that the most vulnerable households will be prioritised for local accommodation. Increasing the supply of more local temporary accommodation will therefore have a positive impact on this group.
69. We will need to continue to monitor the impact of the policy to ensure that there are no unintended consequences.

Public Health Implications

70. Poor quality housing and homelessness have been identified as key factors in health inequality. Through reducing the number of households reaching crisis point and increasing the supply and quality of rented homes we will help to reduce the impact of homelessness and poor housing on the health and wellbeing of our residents.
71. The effects on households in hotel accommodation are extreme as there are no cooking facilities or private areas. The health implications are therefore that residents are dependent on takeaway food which is both unhealthy and expensive.

Safeguarding Implications

72. Safeguarding is a key concern for the service. Keeping households in hotel accommodation for extended periods is a key safeguarding risk. There are currently 32 children in hotel accommodation where Children and Family Services are actively involved, and the nature of the accommodation is interfering with our ability to fulfil our statutory obligations. Moving families to self-contained accommodation will reduce the risks to vulnerable households and residents.
73. We will assess the needs of each household to be relocated against the Placement Policy. This prioritises the most vulnerable households for the extremely limited supply of local accommodation.
74. We will ensure a coordinated approach with Children and Family Services to ensure that the welfare of children and families is paramount.

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Appendices

EQIA

Background Papers

Homelessness in Enfield (5) – Housing residents where accommodation is affordable (KD 5625)

[Agenda for Cabinet on Wednesday, 7th June, 2023, 4.00 pm | Enfield Council](#)

Departmental reference number, if relevant: