

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 15/01/2024

Subject: Decision to acquire Lillie Road Rough Sleepers Hostel

Report of: Councillor Frances Umeh, Cabinet Member for Housing and Homelessness

Report authors: Roy Morgan Assistant Director of Housing Management
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Richard Shwe, Director of Housing

Responsible Director: Jon Pickstone, Strategic Director of Economy

SUMMARY

This report requests that Cabinet approves the decision to acquire the property in Lillie Road (“the Property”). The property is a hostel building that has formed part of the Council’s commissioned single homeless and rough sleeping pathway for several years, providing thirteen bed spaces.

The property is currently managed by *St Mungo’s* and owned by a Registered Provider named *Home Group*. In early 2023, *Home Group* informed the Council of its intention to dispose of the property, a decision which threatens the accommodation and wellbeing of the residents and the overall resilience of the single homeless and rough sleeping supported accommodation pathway.

This report follows the conclusion of a robust options appraisal that determined acquisition of the property to be the best option available to the Council in the current circumstances. The Council has successfully negotiated a competitive purchase price, including a grant contribution from the Greater London Authority (GLA) detailed in Appendix 1.

Cabinet is asked to approve a series of recommendations that will enable officers to complete the purchase of the property, a decision that will protect both the current occupiers of the property and the long-term sustainability of the Council’s single homeless and rough sleeping supported accommodation pathway.

RECOMMENDATIONS

That Cabinet:

1. To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. To approve the purchase of the property on Lillie Road named in the exempt Appendix 1 for the total purchase price as set out in the exempt Appendix 1.
3. To note that the acquisition is to be funded by a combination of General Fund borrowing and grant from the Greater London Authority, and therefore approve the creation of a capital budget as detailed in exempt Appendix 1.
4. To authorise the Strategic Director of Economy in conjunction with the Assistant Director of Legal Services to enter a contract for the sale and transfer deed for the purchase of the property, subject to a positive conclusion to the due diligence process.

Wards Affected: Munster

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	Ensuring that vulnerable homeless residents have access to supported accommodation is vital to their ability to develop their independence, including access to education and employment, to build inclusive economic growth across the borough.
Creating a compassionate council	As a compassionate council, our acquisition of this property supports the council's value of reducing homelessness and ending rough sleeping and the harm it causes to individuals and communities.
Being ruthlessly financially efficient	The cost of acquisition and refurbishment is being supported through a successful application to the Greater London Authority (GLA's) Supported Housing Accommodation Programme (SHAP).

Taking pride in H&F	This acquisition and refurbishment of the property will deliver high quality accommodation with support on site for homeless people living in H&F. This will be a source of pride to residents of the borough.
Rising to the challenge of the climate and ecological emergency	The current support provider for the building is monitored to ensure they are contributing to reducing food waste and repurposing furniture. Staff support residents to increase their understanding of the climate and ecological emergency. The refurbishment of the building is an opportunity to consider its energy efficiency.

Financial Impact

The financial implications of the proposed property acquisition are detailed in Appendix 1, the contents of which are exempt for commercial reasons.

Andre Mark, Head of Finance (strategic planning and investment), 27 November 2023
Verified by Sukvinder Kalsi, 27 November 2023

Legal Implications

Section 1(1) of the Localism Act 2011 confers a general power of competence on the Council and provides that a local authority may do anything that individuals generally may do, even though they are in nature, extent or otherwise:-

- a) unlike anything the authority may do apart from subsection (1): or
- b) unlike anything that other public bodies may do.

Section 1(4) of the Localism Act 2011 states that (subject to certain restrictions that do not apply in this instance) where subsection (1) confers power on the authority to do something, it confers the power to do it in any way whatever, including:

- a) power to do it anywhere in the United Kingdom or elsewhere,
- b) power to do it for a commercial purpose or otherwise for a charge, or without charge, and
- c) power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

Section 111 of the Local Government Act 1972 provides that a local authority shall have the power to do anything (whether or not involving the expenditure, borrowing

or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

Further, section 9(1)(b) of the Housing Act 1985 permits the Council to acquire houses in order to provide housing accommodation.

Finally, the Council also has a duty under part 7 of the Housing Act 1996 to prevent homelessness and provide assistance to people threatened with or actually homeless. By acquiring the Property, the Council will help to fulfil this duty and ensure the overall resilience of the single homeless and rough sleeping supported accommodation pathway is not compromised.

Article 12 of the Constitution sets out the decision-making principles of the Council and defines Key Decisions and the requirements in respect of Key Decisions. A Key Decision includes a decision that is likely to result in significant expenditure for the Council. The Cabinet Member for Housing and Homelessness has the portfolio for acquisitions and improvements to the Council's housing stock and is tasked with making recommendations to the Cabinet on Key Decisions relating to matters within their portfolio. The Council's Financial Regulation provide that decisions on acquisitions above £300,000 must be made by the Cabinet.

Implications completed by Afshan Ali-Syed, Senior Property Solicitor, Property and Planning Team 07887651197 on 19 October 2023.

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

Background

1. The property in Lillie Road is an important building within the Council's commissioned single homeless and rough sleeping supported accommodation pathway. It provides 13 bed spaces and is comprised of four 1-bedroomed flats and three 3-bedroomed flats. The property layout is such that, unlike many other buildings in the pathway, it has much needed level-access accommodation for homeless people with mobility issues. It is in the south of the borough, whereas many of the other buildings within the pathway are concentrated within the north.
2. The freeholder is *Home Group*, a national Registered Provider. The building is operated by *St Mungo's* who are contracted to deliver the on-site support and some housing management functions to residents for the Council's commissioned borough-wide single homeless and rough sleeping supported

accommodation pathway. The building is one of eight within the commissioned pathway.

3. In early 2023, *Home Group* informed the Council that it intended to pursue a divestment strategy that includes the Lillie Road property. This decision follows a divestment trend that the Council is observing across the supported housing sector.
4. Owing to the rising numbers of people sleeping rough in H&F and across London, and a shortage of available buildings that are also suitable, there is no capacity to accommodate a potential loss of thirteen bed spaces elsewhere within the pathway, nor is there an appropriate alternative site to which the existing service could be relocated. There is also little appetite among provider partners to acquire the property.
5. *Home Group* is under no obligation to sell the property to the Council; a sale on the open market would likely constitute an end to the building's current use as part of the Council's rough sleeping pathway. In May 2023 the Director of Housing wrote to *Home Group* highlighting the impact of divestment to the sector and that the Council requested to have first refusal to acquire the property as an ongoing concern, subject to a viable appraisal.
6. To avoid a situation whereby the property is sold on the open market to a private buyer and the building is lost to the pathway, it is recommended that the Council acquire the property. This decision supports the Council's commitment to end rough sleeping and homelessness and its commitment to operate with ruthless financial efficiency. The purchase is supported by a GLA grant contribution and mitigates rising costs of temporary accommodation.

Due diligence

7. As exempt Appendix 1 describes in greater depth, the proposed terms of the transaction meets the Council's agreed financial viability benchmarks that all new property development or acquisition must achieve, insofar as it finances itself over a long-term period based on the income that the Council will receive as the landlord.
8. The due diligence process continues to ensure that as a council we follow due diligence in this property acquisition transaction that will conclude in a positive result ensuring all legal, financial, and technical compliance occurs.
9. Indicative legal searches have been undertaken and no issues were identified. The final decision to purchase and enter contract will be subject to a full conveyancing process and assurance on the terms of funding agreements with the GLA. As there will be both new and historic GLA grant within the property, the Council must adhere to GLA grant conditions which deem the grant either partly or in full repayable if the property's use as supported accommodation, as accommodation for statutory or non-statutory homeless, or as general needs affordable accommodation, was to cease, or if the Council decided to sell the property.

10. A condition survey was commissioned to assess the costs of any immediate remediation works, so that the Council has been able to factor upfront capital costs into the purchase price. The Council has also received details of the current costs of ongoing repairs and maintenance to ensure that the ongoing maintenance costs do not jeopardise the business case to acquire the property.
11. A full structural and more detailed condition survey will be undertaken as part of pre-contract due diligence to verify the accuracy of forecasted repairs and maintenance costs, as well as to ensure that there are no other significant safety issues such as the presence of RAAC concrete.
12. An independent valuation of the property has been undertaken and verified with the Council's internal valuation team, to ensure that the Council is securing best value. The purchase price that the Council has agreed with *Home Group* is significantly below the determined market value of the property, and the Council has explored all opportunities for further reductions.
13. The transaction is also supported by a GLA grant contribution which reduces the net cost to the Council and enables the Council to fund the initial refurbishment costs, which should serve to reduce the cost of repairs and maintenance in the coming years. Details of the valuation, the negotiated price, and the negotiated grant rate are provided in exempt Appendix 1.
14. If the recommendations are approved, Cabinet will authorise the Strategic Director of Economy in conjunction with the Assistant Director of Legal Services to enter into a contract for the purchase of the property. This decision will be subject to a separate report which considers the full findings of the due diligence process (including the conveyancing due diligence), once entirely concluded.
15. It is because of the growing need for accommodation for homeless residents across the borough, the existing shortage of hostel accommodation, and the commercially beneficial negotiation with *Home Group* that officers recommend the acquisition of the property in Lillie Road.

Options

Option One – Approve the decision to acquire the property in Lillie Road (recommended)

16. The recommended option is to approve the recommendations within this report and enable the acquisition of the property in Lillie Road. This option will result in the Council acquiring *Home Group's* current freehold interest in the building, sustaining the current service for thirteen homeless people.

Option Two – Do Nothing

17. This option would constitute a refusal of the report's recommendations and halt the process of purchasing the property. Owing to *Home Group's* preference to dispose of the property within the current financial year, and the prolonged

negotiations that have already taken this place, it is unlikely that the Council will be able to negotiate an improved position. It is likely that the building would subsequently be sold on the open market and all current residents would be displaced.

Reasons for Decision

18. This decision is sought in order to comply with Appendix G of the *Financial Regulations 2021*.
19. The acquisition of the property in Lillie Road will assist the Council in achieving its strategic ambitions to tackle homelessness and end rough sleeping in the Borough. In 2017-18, an independent Rough Sleeping Commission was established to review local services and make recommendations to help the Council deliver our policy objective of zero rough sleeping. These recommendations informed the Council's Procurement Strategy for rough sleeping services that was approved by Cabinet in 2021. This included tendering for one support contract for the whole hostel pathway for which *St Mungo's* was the successful tenderer.
20. The property in Lillie Road is a fully occupied building within the commissioned hostel pathway. All residents are homeless or former rough sleepers, and all residents have complex support needs which mean they require on-site staffing by *St Mungo's* which will remain in place after purchase.
21. The support contract with *St Mungo's* began on 01.04.22. It is for a term of five years, expiring 31.03.27, with possibility of an extension of up to two further years (31.03.29). In 2021, the Council tendered for one contract to deliver support to all eight buildings in the single homeless and rough sleeper pathway, including Lillie Road. Given the size and duration of the whole pathway contract it is highly unlikely that *St Mungo's* will seek to terminate it early. In the unlikely event that they do, they would have to give sufficient notice and the Council would re-tender the whole pathway support contract for the Borough to ensure there is no gap in support for pathway residents.
22. Rough sleeping in London is rising; 10,053 rough sleepers were seen by outreach workers in London during 2022/23, this represents a 21% increase compared to the total of 8,329 seen in 2021/22. In H&F we have seen an 11% increase in the number of rough sleepers seen in 2022/23 compared to the previous year (214 to 238).
23. Recent cost of living and housing supply pressures are contributing to a further increase in rough sleeping in H&F and across London. In the first six months of 2023-24 we have seen more people rough sleeping in H&F (303) than in the whole of the previous year (238).
24. Sufficient stock of supported accommodation helps the Council reduce rough sleeping, reduce the need to place people into unsupported temporary accommodation and reduces the length of time people must spend in less appropriate temporary settings. The pathway hostels are in high demand and

have a typical utilisation rate of 97%-99% which is above the contractual target of 95%. At the time of writing, there are approximately 40 single people in unsupported temporary accommodation waiting for a placement into the hostel pathway. With a reduction in supported housing pathway beds through the loss of Lillie Road, there will be increased pressures on temporary accommodation, health, and social care services, including extra care and residential placements.

There will be additional demand and waiting times for beds in the rest of the pathway and we can also expect to also see an increase in rough sleeping.

25. Any additional demand on temporary accommodation because of the loss of the property in Lillie Road will only exacerbate the temporary accommodation supply and cost pressures faced by the Council and the social and health impact on individuals who require a supported setting.

Equality Implications

26. An Equality Impact Assessment was completed in 2021 which informed the Council's Procurement Strategy to commission a support contract for the hostel pathway. There is no new equality impact for residents if the recommended option to acquire is pursued, as a decision by the Council to acquire the property will result in a change of landlord, not the support provider.

Risk Management Implications

27. Acquiring the property in Lillie Road presents a range of risks to the Council which require careful management and mitigation. The Council commissioned technical advisors to carry out condition surveys which enabled the cost of refurbishment to be reflected in the agreed purchase price and has ensured that there are no structural defects within the building.
28. As the number of rough sleepers is continuing to rise, there is little chance that demand for hostel accommodation of this type will subside in the near future. Legal services will complete appropriate due diligence as the transaction progresses.
29. Future risks will be managed as part of the overall risk management process within the rough sleeping commissioned pathway.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 7 November 2023

Climate and Ecological Emergency Implications

30. The property in Lillie Road achieves an EPC rating C. As this is an existing building acquisition, it has no implications for the borough's emissions, but it will become part of the Council's organisational footprint so the council will need to plan for capital investment at the appropriate time in the future to retrofit the building to net zero carbon requirements.

Completed by: Jim Cunningham, Climate Policy & Strategy Lead, 31 October 2023

Consultation

31. The Council has kept St Mungo's regularly informed of progress. A decision to acquire the building will result in no change to the support contract.

LIST OF APPENDICES

Exempt Appendix 1 – Finance Implications