



## Cabinet Member Report

<b>Decision Maker:</b>	Cabinet Member for Housing Cabinet Member for Finance and Smart City
<b>Date:</b>	
<b>Classification:</b>	General Release
<b>Title:</b>	Purchase of properties by the council for use as accommodation for former rough sleepers
<b>Wards Affected:</b>	All
<b>City for All Summary:</b>	This programme will ensure former rough sleepers are provided with settled accommodation owned by Westminster with the necessary wrap around support needed to develop the life skills of clients in readiness for move on into private sector accommodation
<b>Key Decision:</b>	This report is a Key Decision and is included in the Forward Plan of Key Decisions.
<b>Financial Summary:</b>	The total funding for the programme of £2.184m (including £1.310m of DLUHC grant) is included in the Council's capital programme.
<b>Report of:</b>	Neil Wightman, Director of Housing

## **1. Executive Summary**

- 1.1 The numbers of rough sleepers in Westminster greatly outstrips those of any London borough and the Council commissions a range of street outreach, supported housing and hostel provision for people sleeping rough. The purpose of this capital programme is to expand the availability and accommodation options and move-on outcomes for rough sleepers who are assessed and ready to move into self-contained semi-independent accommodation.
- 1.2 The Council has submitted a successful bid for grant funding of £1.310m to the Department for Levelling Up, Housing and Communities (DLUHC) and the GLA under the Rough Sleeper Accommodation Programme (RSAP) towards the purchase and repair of 10 studio and 1bed self-contained homes located outside the City to accommodate former Westminster rough sleepers on a temporary basis (non-secure tenancy) and serving as a stepping stone towards a subsequent move of these clients into the private sector. Bids for RSAP programmes in London are managed by the GLA.
- 1.3 These homes once secured will be owned by the City Council and rents will also be retained.
- 1.4 It will be a requirement that the Council enters into a capital funding agreement with the GLA in order to secure this grant funding.
- 1.5 Housing has also successfully bid under the Council's CPSR for funding of £874k to be combined with the successful DLUHC grant bid of £1.310m to deliver these 10 homes.
- 1.6 The total cost of delivering these 10 homes is anticipated to be £2.184m that will include acquisition, works and on costs. Properties acquired will be located in those London Boroughs where the Council already has a portfolio of owned housing used for temporary accommodation and where purchase prices are competitive. RMG will provide property management services.
- 1.7 Rents on the 10 homes to be secured will be set at LHA levels that will be 100% covered by housing benefit. It is estimated that after allowing for deductions for management and maintenance, service charges and an allowance for a sinking fund per property that the net annual income generated for the Council from these 10 properties will be c. £41k.
- 1.8 Clients housed in these temporary homes will be provided with a wraparound service to provide them with support to live successfully in their own independent accommodation, ensuring this support includes a holistic approach. This will be linked to a positive self-esteem and wellbeing model of support to include planning that enables their activities to access and engage with mainstream services such as

help with life skills, sign posting into employment and their preparation to take up follow on moves into private sector housing following a maximum stay of 3 years in their RSAP home.

- 1.9 To support this wrap around service, the Council has successfully bid to the GLA for £112k in revenue funding to provide funding towards a floating support service that will include an officer (full time) and part time support officer. The revenue secured will fund these posts for a maximum period to 31 March 2024.
- 1.10 The Council will be required to enter a funding agreement with the GLA to secure this revenue funding.
- 1.11 SHP one of the Council's support providers and who are already commissioned will provide floating support to clients housed in these 10 homes.
- 1.12 WCC will also submit additional funding requirements within the Rough Sleeping Initiative (RSI) 2022- 2024 revenue programme to be approved by DLUHC in April 2022. This funding will also ensure continuity of the support offer to clients.

## **2. Recommendations**

- 2.1 That this report be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A, Part 1, paragraph 3, in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 2.2 That the Cabinet Member for Housing and the Cabinet Member for Finance and Smart City
- 2.3 Approves the Council entering a grant and revenue funding agreement with the GLA in order to secure capital grant funding of £1.310m towards the delivery of 10 self-contained interim homes for former Westminster rough sleepers and revenue funding of £112k to provide floating support towards clients accommodated in these homes.
- 2.4 The availability of capital funding for this programme including the council's own funding of £874k as set out within the Council's capital programme is noted

### **3. Reasons for Decision**

- 3.1 Funding from the GLA supports WCC strategic approach to the resettlement offer for rough sleepers and a route away from the streets. For many rough sleepers resettlement has typically been achieved in stages, with clients moving from hostels to supported housing before being given the opportunity to live independently. This provision of accommodation allows WCC to start the process of reconfiguring the expansion of accommodation available and ensure that an appropriate and timely range of move on options is available.
- 3.2 This programme will ensure former rough sleepers are provided with settled accommodation that is owned by WCC with the necessary wrap around support needed to develop the life skills of clients in readiness for move on into private sector accommodation.
- 3.3 Capital funding provided will increase the number of homes that can be purchased for former rough sleepers that will provide interim move accommodation for rough sleepers preventing their return to the streets and at rents that are affordable to this client group.
- 3.4 The revenue support provided will ensure wrap around support can be provided to clients while accommodated in these homes and to prepare them for an onward move into the private sector.

### **4. Background, including Policy Context**

- 4.1 The numbers of rough sleepers in Westminster greatly outstrips those of any London borough and the Council commissions a range of street outreach, supported housing and hostel provision for people sleeping rough. The purpose of the capital programme scheme is to expand the availability of self-contained independent accommodation for rough sleepers and for WCC to have ownership of this accommodation and the income resulting from this provision.
- 4.2 The street count carried out on 25 January 2022 saw 119 rough sleepers bedded down on the night. The national street count on 23 November, 2021, saw 187 individuals bedded down on the streets of Westminster. 2021/22 street counts have averaged so far at **166** rough sleepers, this being a **13%** reduction compared to the **190** average across the **7** counts in 2020/21. While the numbers of rough sleepers in Westminster continues to show some decline with positive outcomes from the service delivery, the numbers can be seasonal in direction with some of this attributed to the transient nature of the cohort who will move around London this includes rough sleepers with a known connection to our borough.

- 4.3 Westminster are the leading council in the UK for delivering a wide range of rough sleeping services, however, we are also very focussed on value for money and throughout 2022/23 we will continue to direct our services on supporting rough sleepers with options that enable them to make the choice to leave the streets.
- 4.4 The Council has seen a number of successful outcomes for rough sleepers who have successfully moved into our Housing First programmes in the past three years whereby we have sourced suitable properties from housing associations and registered providers on a long-term basis with intensive support wrapped around the client. We now have over 50 clients in our existing Housing First programmes. We are committed to exploring models for Housing First in our Rough Sleeping Strategy and in our Ending Rough Sleeping Plan, and the 10 properties we will acquire through RSAP expands our portfolio in a sustainable way without overreliance on housing associations and registered providers.
- 4.5 The Government has allocated national funding of £211.6m in 2021-24 under the Rough Sleeper Accommodation Programme (RSAP). London's share of this funding pot is £66.4m (£48.4m of capital and £18m of revenue) to be administered by the GLA.
- 4.6 Bids were invited in 2021 from Local authorities and Registered Providers to secure funding towards the provision of temporary self-contained studio and 1bed accommodation for former rough sleepers. Bids could include new build, open market purchase and repairs or existing affordable accommodation being repurposed to accommodate rough sleepers.
- 4.7 The accommodation bid was required to provide fixed term tenancies of up to a maximum period of 3 years for each rough sleeper client to provide independent living before being helped to move on to the private sector. Homes secured should continue to house former rough sleepers when individual clients move on and be used for this purpose for a minimum period of 35 years unless it can be demonstrated that demand for accommodation for rough sleepers no longer exists.
- 4.8 The Council's successful bid was on the basis of referrals to these homes coming direct through the local authority – via the commissioned service providers to WCC. Westminster and our commissioned provider network will be able to provide referrals direct to these homes. Tenancies will be provided for a period of up to 3 years before clients move on into private sector accommodation.

- 4.9 The acquisitions will be in a variety of locations outside of Westminster to meet the needs of former Westminster rough sleepers. The initiative will focus on purchasing properties at the lowest reasonable overall capital cost (including refurbishment costs, where necessary) whilst also ensuring the revenue costs to the tenant and the Council are affordable.
- 4.10 The table 1 below, sets out delivery timeframe for the 10 properties and the spend profile against this delivery as part of the RSAP programme.

**Table 1- Delivery Profile under the RSAP programme**

Total No. Homes	Total DLUHC Grant	Total WCC Funds	Total Funding
10	£1,310,400	873,600	£2,184,000
<b>Delivery timeframe and funds draw down</b>			
March 2022 3 units	£393,120	£262,080	£655,200
June 2022 7 units	£917,280	£611,520	£1,528,800

- 4.11 In order to secure grant funding of £1.310m allocated by DLUHC, the Council will be required to enter into a grant agreement. This grant agreement that is non-negotiable requires the homes to be delivered within the timeframes set out in table 1, and these homes to be in continued use for former rough sleepers for 35 years unless it can be demonstrated that this accommodation is no longer required by the client group.
- 4.12 Homes provided will be in accordance with the Council's adopted temporary accommodation standards
- 4.13 RMG who have already been appointed to identify suitable temporary accommodation properties for Westminster to secure outside of the City will also be identifying suitable properties to be secured under the RSAP programme. A number of suitable properties for the RSAP programme have already been identified by RMG.
- 4.14 Westminster has also successfully bid for revenue funding of £112k to provide floating support to clients housed in these 10 units to develop life skills, sign posting into employment and help into private sector accommodation at the end of their tenancy period. The successful bid will fund the costs of employment of 1x full time and 1x part time staff member.

- 4.15 SHP one of the Council's support providers and who are already commissioned will provide floating support to clients housed in these 10 homes.
- 4.16 While this revenue funding is limited to the period ending 31 March 2024, it is anticipated that the Council will be submitting a future bid under the Rough Sleeper Initiative 5 (RSI 5) to continue this revenue support beyond 31 March 2024.

## **5. Financial Implications**

5.1 The financial viability of potential purchases has been examined in various locations. The model has the following assumptions:

- Rental income is set according to the single person Local Housing Allowance (LHA) rate that applies to single persons renting accommodation and will be 100% covered by Housing Benefit. Using an average of LHA levels that apply across a range of London Borough's rent is estimated at £221 per week and this will grow by 1% per annum. This is a conservative assumption and reflects the increase announced by the Department of Work and Pensions for the next financial year.
- Refurbishment costs may vary widely according to the condition of the property and are estimated by a surveyor before completion of any purchase.
- Stamp Duty Land Tax will be payable on the transaction
- The sum of £45 per week per property (£2,340 per annum) is assumed for management and £20 (£1,040 per annum) for maintenance and minor repairs.
- An additional allowance of £10 per property per week towards voids works anticipated every three years
- £20 per property per week is included for service charges Council Tax, and freeholder fees.
- £29 per property per week is included as part of a sinking fund to fund future major works
- Any capital growth has been ignored as the focus is on revenue costs. It should be noted that UK long-run house price growth since 1952 has been

approximately 2.1% above RPI (source: Savills) and since 1975 has been 2.8% above RPI (source: Nationwide).

- 5.2 The total costs of delivering these 10 homes are estimated to be £2.184m. However, with the provision of £1.310m in grant being provided by DLUHC, the net cost to the Council is £874K or £87.4 per unit.
- 5.3 The table 2 below sets out the anticipated annual net income of £41k to be delivered from the letting of these 10 properties, allowing for deductions relating to management, maintenance, service charges, council tax and a sinking fund.

Table 2: Net annual income allowing for management and maintenance deductions

<b>Income generated from 10 Studio/1-bedroom properties with current LHA</b>			<b>10 x properties</b>
<b>Income</b>	<i>per week</i>	<i>per year</i>	
Gross Rent received (Full 1bed LHA)	<b>£221</b>	<b>£11,476</b>	<b>£114,763</b>
<b>Deductions</b>			
Management Costs	<b>£45</b>	<b>£2,340</b>	<b>£23,400</b>
Voids and bad debts (6%)	<b>£13</b>	<b>£689</b>	<b>£6,886</b>
Allowance for Repairs and maintenance	<b>£20</b>	<b>£1,040</b>	<b>£10,400</b>
Allowance for void works every 3 years	<b>£10</b>	<b>£520</b>	<b>£5,200</b>
Allowance for service charges Council Tax, and freeholder fees	<b>£25</b>	<b>£1,300</b>	<b>£13,000</b>
Sinking Fund	<b>£29</b>	<b>£1,500</b>	<b>£15,002</b>
<b>Net Income</b>	<b>£78.61</b>	<b>£4,087.52</b>	<b>£40,875.18</b>

- 5.4 The viability of a purchase is the relationship between the maximum rent that may be charged and the cost of financing that purchase. Officers have worked through many scenarios and the areas where surpluses may be made in Year 1 and throughout the 35-year period of ownership are the areas that lie in between the suburban fringes and central London.

- 5.5 Each individual property purchase will be approved by the Director of Housing and Director of Corporate Finance based on an analysis using the above assumptions. Officers will seek to purchase units at the least capital cost

## **6. Legal Implications**

- 6.1 The Council has a Best Value Duty under the Local Government Acts to ensure that it pays no more than market value for the acquisition of these properties and operates the scheme efficiently. A professionally qualified valuer will be appointed to advise on the appropriateness of the negotiated price and confirm best value prior to exchange of contracts.
- 6.2 Under section 120 Local Government Act 1972 the Council has a general power to acquire property by agreement. A local authority may also purchase properties for housing the homeless under section 17 Housing Act 1985.
- 6.3 Property acquisitions by the Council must comply with its Property Procedure Rules which designate the target properties as General Fund Property.
- 6.4 Application for and acceptance of the grant from the GLA as recommended complies with the Council's powers under s1(1) of the Localism Act 2011 and applying the grant in the manner recommended satisfies the Council's Best Value Duty in respect of its housing obligations.

## **7. Staffing Implications**

- 7.1 There are no staffing implications arising from this report.

## **8. Consultation**

- 8.1 No consultation is necessary.

**If you have any queries about this Report or wish to inspect any of the Background papers, please contact: Fergus Coleman [fcoleman@westminster.gov.uk](mailto:fcoleman@westminster.gov.uk)**

**BACKGROUND PAPERS:**

Background papers are referenced as footnotes throughout this report.

*NB: For individual Cabinet Member reports only*

For completion by the **Cabinet Member** for Housing

**Declaration of Interest**

I have <no interest to declare / to declare an interest> in respect of this report

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

NAME: \_\_\_\_\_

State nature of interest if any

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*(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendation(s) in the report entitled

.....and reject any alternative options which are referred to but not recommended.

Signed .....

Cabinet Member for Housing

Date .....

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, the Executive Director of Finance and Resources, and, if there are human resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

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For completion by the **Cabinet Member for Finance and Smart City**

**Declaration of Interest**

I have <no interest to declare / to declare an interest> in respect of this report

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

NAME: \_\_\_\_\_

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Cabinet Member for **Finance and Smart City**

Date .....

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## Appendix A:

### Other Implications

#### 1. Resource Implications

The proposed lettings approach will be delivered within existing resources.

#### 2. Risk Management Implications

There is a risk that the proposed approach to lettings may need to change due to the ongoing pandemic and that supply projections could be inaccurate given the current

uncertainties. The situation will be kept under review and Government Guidance followed where necessary.

**3. Health and Wellbeing Impact Assessment including Health and Safety Implications**

lettings will continue to be made using the safe practices which were developed due to the pandemic.

**4. Crime and Disorder Implications**

The are no implications.

**5. Impact on the Environment**

The are no implications.

**6. Staffing Implications**

The proposed approach to lettings will be delivered by existing staff.

**7. Human Rights Implications**

There are no implications.

**8. Energy Measure Implications**

There are no implications.