



City of Westminster

Cabinet Member Report

Decision Maker:

Councillor Liza Begum, Cabinet
Member for Housing Services

Date:

29 April 2024

Classification:

Part Exempt

The accompanying Appendix 2 is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

Paragraph 3 - Information relating to the financial or business affairs of a particular person (including the authority holding that information).

Title:

Penn House and Regeneration Area
Temporary Accommodation Strategy

Wards Affected:

Church Street

Policy Context:

As part of the Fairer Westminster Delivery Plan for 2024/25, the Council has committed to securing more temporary accommodation for families that need it, reducing reliance on expensive third-party providers.

Key Decision:

No

Financial Summary:

This proposal represents clear value for money versus the use of nightly-paid hotel accommodation.

Report of:

Sarah Warman, Strategic Director for
Housing and Commercial Partnerships

1. Executive Summary

- 1.1. The City Council has embarked on a major regeneration programme in Church Street which plays an essential part in the wider commitment of delivering quality affordable housing, growth and tackling economic deprivation and social disadvantages in the Church Street area. The Lisson Grove Programme is part of the Church Street Masterplan and consists of two sites: Lilestone Street and Orchardson Street, which comprise of Council buildings and the following residential blocks: Penn House, Gayhurst House and 6-12 Lilestone Street.
- 1.2. A void strategy is required for Penn House as a consequence of rehousing residents from Penn House to Daventry House in Q3 2023. The available options for Penn House include demolition, leaving void or to make use of the vacant properties to meet the Council's statutory homelessness duties as Temporary Accommodation (TA). This report identifies a strong housing need to use these flats for TA and takes into consideration Penn House being part of the Lisson Grove Programme and that it will not be required for redevelopment until 2027.
- 1.3. Use as TA therefore provides the most logical fit for occupying these homes for a limited period whilst retaining appropriate housing allocation, preventing the use of alternative more expensive TA and providing good quality in-borough TA for the vulnerable homeless. In terms of general supply, there is a good supply of CSH units currently with Daventry, Adpar and Grace House recently implemented and therefore TA provides the most appropriate option going forward.
- 1.4. The Council currently is endeavouring to source TA units. A similar principal of voids will occur at Gayhurst House and 6-12 Lilestone Street which is part of the wider renewal boundaries associated with Penn House noted above. Vacant possession will be required as the development progresses. 6-12 Lilestone Street already has approved TA strategy status as part of its acquisition from Notting Hill Genesis. In addition, both Gayhurst House and 6-12 Lilestone Street have been served Initial Demolition Notices which prevent Right to Buy applications. The Council already utilises a TA void strategy in renewal areas such as Church Street Site B and C. A similar strategy is proposed to benefit multiple council workstreams.
- 1.5. When consulting on the preferred Option, an Equalities Impact Assessment was carried out to support the delivery of the renewal programme. Further Equalities Impact Assessments will be carried out as the project progresses.

2. Recommendations

It is recommended that the Cabinet Member for Housing Services:

- 2.1. Delegate authority to the Executive Director of Environment and Communities to:

- Approve the use of Penn House, Gayhurst House and 6-12 Lilestone for TA under Part VII of the Housing Act 1996.
 - Review the rent levels for lettings and decide how these are split between the Housing Revenue Account and General Fund (GF).
 - Award and approve necessary funds to accommodate and refurbish Penn House to comply with TA letting standards and for Gayhurst House and Lilestone once these costs are known.
 - Enter into a leasing arrangement with a Registered Provider that will then lease Penn House 6-12 Lilestone Street and Gayhurst House back to the Council for use as TA.
- 2.2. Note that this report provides an assessment of the financial viability for operating Penn House as TA because a quote has been sought for the refurbishment and the timescales for operating the block as TA are known. This information is less readily available for the units at Gayhurst and Lilestone. Nonetheless, an identical viability test would be undertaken when those units are ready to be converted and authority delegated to the Executive Director of Finance & Resources to approve the allocation of the capital funds required to proceed.

3. Reasons for Decision

- 3.1. This report seeks approval to use vacant properties at Penn House, Gayhurst House and 6-12 Lilestone Street as TA.
- 3.2. TA is sought for a period of at least three years for the above blocks prior to demolishing and commencing the development of the Lilestone Street site. Residents of Penn House recently completed a successful relocation to Daventry House. Gayhurst House currently exhibits a small number of voids. As development plans cement, a void strategy will also be required for these homes should more homes be purchased or sold. In addition, vacant social homes will need to be outlined to understand wider renewal impacts.
- 3.3. By way of this decision, the Council aims to make best use of its assets whilst Penn House, Gayhurst House and 6-12 Lilestone Street is vacated, and in turn tackle key issues around homelessness, in line with the Fairer Housing pillar of the Councils Fairer Westminster Strategy.
- 3.4. All three blocks will provide good quality in-borough accommodation available for vulnerable single homeless people and larger homeless families. Throughout the period, provisions at Penn House will have staff on site 24 hours per day, with additional support provided to residents' depending upon need.

4. Background, including Policy Context

- 4.1. Daventry House (Lisson Arches) development scheme is an enabling scheme for the Lilestone Street development site, providing off site relocation of the existing homes at Penn House.
- 4.2. Daventry House achieved practical completion in August 2023 and the Penn House residents were relocated to Daventry House in Q3 2023. Penn House is now vacant and could either be left vacant (secured), demolished or let for TA until it is required to come forward for redevelopment.
- 4.3. The table below outlines the key decant and construction dates:

Site / Item		Start Date (Estimated)	End Date (Estimated)
	Penn House Vacant	Sep 2023	
	Penn House Refurb for TA	Apr 2024	Jun 2024
	Penn House Occupation (TA)	Jul 2024	
	Penn House Demolition	Aug 2027	Oct 2027
	Lilestone Street Construction	Nov 2027	Apr 2030

- 4.4. Penn House residents were rehoused in advance of the required vacant possession date in consequence of the completion of Daventry House. A surplus of void units at Daventry House remains outstanding despite many residents rehousing from Penn House and will be allocated under the Council's Allocations Policy.
- 4.5. Gayhurst House and 6-12 Lilestone Street currently has a capacity of 40 family sized homes. 5 properties are currently void due to buybacks. Whilst this has remained steady in terms of void levels; as development plans grow and in line with sourcing further TA units noted later in the report, a void strategy will need to be set out. In principle, these remain as: Void Permanently, Re-Use as Social Tenancies or Re-Use as short term lets.
- 4.6. Currently any buyback of leasehold properties is passive and ad hoc. Any aggressive repurchasing will increase voids and some natural tenancy cessation will occur. With the wider Penn House being totally void, it would not require much deviation or strategy to maintain an estate wide TA plan which is also utilised on Church Street Site B and C.

Temporary Accommodation in Westminster

- 4.7. The Council's current requirement for TA is over 3300 properties, an increase of over 600 properties since 2021. This is reflective of increased

demand for housing from households in need in particular in the private rented sector, unable to remain living with family and friends and escaping domestic abuse. Making use of Penn House during the period before its demolition will provide good quality in-borough TA. There will be 24 hour on-site staffing available with additional provision of support for vulnerable households.

5. Approvals Sought

Awarding TA status

- 5.1. Following the previous process to award Penn House decant status, the current block is now vacant having moved all residents to Daventry House.
- 5.2. The voids strategy now requires suspension of permanent lettings and to be re-let only for TA use. To enable this, Penn House, Gayhurst House and 6-12 Lilestone Street will be leased to a third-party organisation that will also manage the scheme and will then be leased back to the Council for use as TA.
- 5.3. The proposal is that these void units are used as TA as Part V11 tenancies (under the Housing Act 1996). These properties will be let at the TA subsidy rent level (in line with all WCC TA) and will allow the LGP regeneration to take place whilst enabling the City Council to meet its homelessness duties using the voids created.
- 5.4. The Council will be able to charge a rent of £333 per week for the Penn House units (which are all 1 beds) while the rents chargeable for Gayhurst and Lilestone will be in the range of £333 to £500 (as these are a mixture of 1-, 2- and 4-bed units). The cost of the works required to bring these void properties up to a lettable standard will be offset against the income generated from rents. This proposal will also prevent spend on alternative higher cost TA provision to meet statutory homelessness duties, which results in a significant saving to the General Fund.

Lease to a Registered Provider

- 5.5. To maximise the income and facilitate TA it is recommended that Penn House is leased to a third party that then leases the property back to the Council to enable future voids to be let under Part VII (Housing Act 1996)

6. Management of vacant properties to be used as TA

- 6.1. The City Council will identify a service provider to take on the lease of Penn House for the duration of the property being used for TA and manage this in line with a specification to be drafted which will include the requirement that there is a 24-hour staffing presence at the site with additional support being provided to the single homeless households there

7. Financial Implications

- 7.1. Housing homeless tenants in these properties instead of properties owned by other bodies represents an opportunity to achieve greater value for money in the provision of TA.
- 7.2. The broad expectation for schemes of this nature is that the net surplus generated by the operation of the units as TA should be sufficient to pay back the investment required to refurbish the blocks or individual units (and cover all associated interest costs).
- 7.3. It is anticipated that Penn House will be demolished in 2027 which means that it will only be available for use as TA for a period of 2-3 years. This means that it is unlikely to fully pay back the initial investment, but the residual deficit may still represent value for money in terms of TA provision. The proposal has been appraised on that basis.
- 7.4. The table below provides an assessment of the likely cashflow for operating Penn House as TA:

Year >>	0	1	2	3
Capital Expenditure	900,000	0	0	0
Rental Income	0	(787,540)	(787,540)	(787,540)
Operating Expenditure	0	473,296	481,817	490,508
Interest	23,400	19,923	12,382	4,868
(Surplus) / Deficit	923,400	(294,321)	(293,341)	(292,164)

- 7.5. This assessment includes an assumption that the block will need permanent on-site supervision due to the nature of the accommodation. This high-level viability indicates that the units would need to be in operation for just over 3 years in order to fully cover the cost of the investment. As noted above, it is expected that the units will only be available for a period of 2-3 years.
- 7.6. The likely deficit after both 2 and 3 years can be summarised as follows:

	2 yrs	3 yrs
Remaining Deficit	£335,738	£43,574
Weekly TA Cost	£143	£19

- 7.7. The deficit under each option can be converted into a weekly net cost of TA for the period in question. This is effectively the net cost to the General Fund of the supply. This is important because it demonstrates that even if the scheme is unable to fully cover the cost of the initial capital investment, the residual net cost still represents significantly

better value than other sources of TA supply that are currently available to WCC.

- 7.8. Appendix 2 provides a detailed analysis of how this cost compares to other forms of TA supply that are being used by the Council to meet the rapidly increasing demand for TA. It demonstrates that the proposal represents clear value for money versus the use of nightly-paid hotel accommodation. It is this form of provision that WCC intends to immediately reduce (by decanting all existing single households that are in hotel provision) once Penn House has to been refurbished to the required standard.
- 7.9. There are some risks to consider with this appraisal. Firstly, if the cost of the refurbishment is higher than assumed then clearly the viability position will worsen. The Council has been experiencing significant cost growth in this area across other aspects of its housing operations. On the other hand, if there were delays in the wider regeneration programme, the opportunity to operate these units as TA for longer would have a tangible financial benefit for the Council's General Fund.
- 7.10. This report provides an assessment of the financial viability for operating Penn House as TA because a quote has been sought for the refurbishment and the timescales for operating the block as TA are known. This information is less readily available for the units at Gayhurst and Lilestone. Nonetheless, an identical viability test would be undertaken when those units are ready to be converted and authority delegated to the Executive Director of Finance & Resources to approve the allocation of the capital funds required to proceed.

8. Legal Implications

- 8.1. The City Council has a general power of competence under section 1 of the Localism Act 2011. This is the power to do anything an individual can do provided it is not prohibited by other legislation.
- 8.2. The proposed refurbishment works are covered under section 111(1) of the Local Government Act 1972 which states that a local authority has 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
- 8.3. If a person who is homeless or threatened with homelessness applies to the City Council for housing assistance under Part VII of the Housing Act 1996, the City Council has a duty to provide the homeless applicant with accommodation for them and their household. Accommodation for homeless persons provided by the City Council under its statutory duty will not be a secure tenancy.

- 8.4. The grant of a lease by the City Council to another party such as a registered provider is a disposal of land. Secretary of State consent is required for a disposal of Housing Revenue Account land, The General Housing Consents 2013 provide at paragraph 4.2.1 that the City Council may dispose of a short tenancy, of a lease not exceeding 7 years.
- 8.5. The City Council can enter arrangements with a Registered Provider to lease voids but when entering into any agreement with the provider the City Council must have regard to the relevant caselaw to ensure that the lease granted satisfies the appropriate requirements and also ensure that the licence agreement prevents creation of tenancy.
- 8.6. The power to acquire the leasehold interest are covered under section 120 (1) of the Local Government Act 1972 which states that a principal council may acquire by agreement any land, whether situated inside or outside their area, for the purposes of either any of their functions under this or any other enactment, or the benefit, improvement, or development of their area.
- 8.7. In relation to recommendation 11.1.2 the use of a third party to manage the properties on behalf of the Council may have procurement implications. Such a decision must therefore be undertaken in full compliance with Public Contracts Regulations 2015 as amended and the Council's Contract Procedure Rules.

9. Climate Impact

- 9.1. The Council declared a climate emergency in 2019 and developed a [Climate Emergency Action Plan](#).
- 9.2. It is now mandatory to include the climate impact of the decision proposed in all reports as part of the Council's commitment to becoming a carbon neutral council by 2030 and a carbon neutral City by 2040. Report authors are required to independently assess the carbon impact of their decision and use this section to explain that impact, make a declaration that the decision will have no carbon impact or set out why a carbon assessment is not possible.
- 9.3. As well as the carbon impact, the wider climate impact (including air quality, biodiversity among others) needs to be considered.

10. Equalities Implications

- 10.1. The Equality Act 2010 requires the Council when taking decisions to have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation or other prohibited conduct.
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and those that do not share it.

- (c) foster good relations between those who share a relevant characteristic and those that do not share it.
- (d) The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex sexual orientation.

10.2. When consulting on the preferred Option, an Equalities Impact Assessment was carried out to support the delivery of the renewal programme. Further Equalities Impact Assessments will be carried out as the project progresses.

11. Consultation

11.1. Local Authorities are usually required to consult before making decisions, particularly in the context of making policies or issuing Guidance. The [Cabinet Office's Consultation Principles 2018](#) provide useful guidance.

11.2. It is necessary to include, in all relevant reports, a paragraph setting out the results of any Ward Member consultation undertaken. Ward Members are required to be consulted on all reports which have a specific impact on an individual ward. This consultation should take a form of a briefing to the Ward Members and not a copy of the draft report. Ward Members should, if possible, be given 7 days on which to comment, but this can be shorter in urgent circumstances. If a proposal is, for example, close to a ward boundary and will have implications for the neighbouring ward then the Members for that ward should also be consulted. The results of the Ward Member consultation should be clearly set out in the report.

11.3. Detail should also be given on the extent of public consultation, including the results of that consultation exercise.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Kamran Tyler-Hussain, Head of Property Planning Asset Management ktyler-hussain@westminster.gov.uk

APPENDICES

- Appendix 1 – Penn House Floor Plan
- Appendix 2 – Financial and Management Cost Analysis (EXEMPT)

BACKGROUND PAPERS

- Statement of Decision: Temporary Accommodation Acquisitions Update and Governance Proposals

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

Declaration of Interest

I have no interest to declare in respect of this report

Signed: LIZA BEGUM

Date: 29 April 2024

NAME:

Councillor Liza Begum

For the reasons set out above, I agree the recommendation(s) in the report entitled **Penn House and Regeneration Area Temporary Accommodation Strategy** and reject any alternative options which are referred to but not recommended.

Signed: LIZA BEGUM

Cabinet Member for Housing Services

Date: 29 April 2024

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: