

Report for: Cabinet 15th November 2016

Item number: 13

Title: Agreeing a rent and service charge setting policy for the new shared facility hostel (Broadwater Lodge).

Report authorised by: Tracie Evans, Chief Operating Officer

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Ward(s) affected: All

Report for Key Decision: Key Decision.

1. Describe the issue under consideration

This report requests Cabinet approve the proposed rent to be charged for our new shared facility hostel at Broadwater Lodge, Higham Road N17. In addition the report recommends that the rent level proposed for Broadwater Lodge be agreed as the model to be applied to all future shared facility hostels under development.

These hostels will be used as emergency and temporary accommodation for families presenting themselves as homeless to the borough and as a move on centre whilst families seek longer term settled accommodation. The introduction of these facilities is critical to the Council ability to increase the supply of both emergency and temporary accommodation whilst reducing our expenditure in this area. Homes for Haringey will manage the new hostel on behalf of the Council.

2. Cabinet Member Introduction

2.1 The Housing Supply Plan was approved at the October Cabinet. This sets out in one place the demand for housing in Haringey, the range of measures in place to address need and the projected shortfall. In particular, the plan demonstrated starkly the shortfall of affordable homes in the Borough for use as temporary accommodation.

2.2 We remain strongly committed to assisting people who approach the council in crisis in acute housing need. However, the supply of private rented accommodation in the borough is inadequate to meet our supply need and the level of market rents is placing an increasingly unsustainable burden on the General Fund.

2.3 We try very hard to find homes in Haringey when it is possible to do so and have maintained this position, despite experiencing the same pressures that have prompted others to place families in homes outside of London. We have resisted implementing a similar approach for as long as we possibly can. Reluctantly however, we now have to accept that the pressures have reached a point where we can no longer avoid joining the other London councils who have taken this step.

- 2.4 In order to best protect and support those residents most in need, we will aim to find homes for the most vulnerable households in the borough. This means that some households that are not prioritised to remain will be offered accommodation outside of Haringey, and where necessary outside of London, but this will be a last resort. It is therefore important that when we do have to place households outside of Haringey, we do so consistently, fairly and transparently using criteria designed to safeguard the most vulnerable and those with the highest need to stay within Haringey. This approach is now defined in the new Temporary Accommodation Placement Policy which Cabinet approved in October alongside the Housing Supply Plan.
- 2.5 The provision of good quality affordable first stage emergency accommodation within the borough will allow us to work with these households over a period of 6-8 weeks. This will identify those that would benefit most from our limited supply of housing within the borough. It will also identify the support package and preparation we need to offer those households where we have no alternative but to accommodate outside of the Borough. It is important that we provide the necessary support to enable households to relocate as easily as possible in these circumstances in order to mitigate any possible long term impacts.
- 2.6 This new facility at Broadwater Lodge represents the first of a number Shared Hostel Facilities which we will be seeking to put in place over the medium term to meet our requirement for good quality affordable first stage emergency accommodation.
- 2.7 In addition to playing an important role in meeting our supply needs these facilities will offer a far higher standard of accommodation than we currently source in the private sector whilst still generating significant savings on the current cost of private sector temporary accommodation options.

3. Recommendations

It is recommended that Cabinet:

- R1. Approve the rent level for shared facility rooms at Broadwater Lodge to be set at the one bedroom Outer North London Broad Rental Market Area rate (Local Housing Allowance subsidy rate). As set out in paragraph 6.6.
- R2. Approve the rent level for the self contained mobility standard unit at Broadwater Lodge to be set at the two bedroom Outer North London Broad Rental Market Area rate (LHA subsidy rate). As set out in paragraph 6.6.
- R3. Approve all future shared hostels to have their rent set at the appropriate LHA subsidy rate. As set out in paragraphs 6.6 and 6.9.
- R4. Approve that all operating models for future hostels ensure the service costs do not exceed the appropriate LHA subsidy rate recoverable. As set out in paragraph 6.7.
- R5. Approve that any surplus generated from the rental income of hostels is reinvested in the general fund. As set out in paragraph 6.8.

4. Reasons for decision

R1 and R2. Setting the rent level for Broadwater Lodge at the Outer North London Broad Rental Market Area rate (LHA subsidy rate). As set out in paragraph 6.6.

- Broadwater Lodge is scheduled to 'go live' in January 2017.
- Rent level setting is an Executive function of Haringey Council and a Key Decision as the income and expenditure will exceed £500,000 (As set out in paragraph 8 Legal comments).
- The proposed rent level is within the permissible LHA subsidy rate and will generate sufficient income to make the facility cost neutral both in terms of day to day running costs and the initial capital set up cost (As set out on the last page of Appendix A).
- As the proposed rent level is within the permissible LHA subsidy rate it represents an affordable option for the clients we are seeking to place in the facility, in the event that the client cannot claim full benefit we will seek a Discretionary Housing Payment where possible (As set out in paragraph 6.7).
- Failure to set a policy by December 2016 will mean the Council cannot open the facility resulting in a requirement to use more first stage private sector accommodation exacerbating the budget issues in this area.

R3 and R4. Approve all future shared hostels to utilise the same operating model and rent setting policy recommended for Broadwater Lodge. As set out in paragraphs 6.6, 6.7 and 6.9.

- Cabinet approving this recommendation will allow Homes for Haringey, on behalf of the Council, to identify and put in place these facilities in the most efficient manner. This assists the Council to meet its statutory requirements to provide first stage emergency accommodation without placing additional budgetary pressure.
- All of these facilities will only be considered and taken forward if they comply with the following principles:
 - The day to day running costs can be funded entirely from within the rental income generated
 - The rent levels do not exceed the Local Housing Allowance subsidy rate claimable
 - The net total of the day to day running cost and initial capital cost to make the facility useable is less than the cost of providing similar accommodation via alternative existing mechanisms (i.e. the facility is at least cost neutral).
- Where required these facilities will be subject to a change of usage application for planning permission.

R5. Any surplus generated from the rental income of hostels is reinvested in the general fund. As set out in paragraph 6.8.

- Reinvesting any surplus generated in the General Fund will assist the Council to manage its finances effectively and, where appropriate, fund more schemes of this nature further easing the budgetary pressure and improving the supply of good quality affordable temporary accommodation.

5. Alternative options considered

Alternative options in terms of setting the rent outside of the possible Local Housing Allowance subsidy were not considered as this principle was agreed as part of the planning permission granted for Broadwater Lodge.

Various options for what could be claimed via Local Housing Allowance subsidy were considered by the Council's Shared Services Benefits team but were rejected as the accommodation doesn't meet the criteria for the relevant subsidy rate. The options considered included the Outer North London Broad Rental Market Area rate shared room and 2-3 bedroom rates.

The option to procure accommodation of this type has been considered and whilst similar options are available in the private sector it is estimated that putting in place a comparative provision could cost the general fund in the region of £400-500k more per annum than the estimated cost of Broadwater Lodge.

The option to do nothing was not considered as this risked operating costs being generated that couldn't be recouped via the rental income resulting in a deficit for the general fund.

6. Report

6.1 Background; Haringey's Housing Need and Temporary Accommodation

Haringey Council's Housing Strategy 2017-22 was presented to Cabinet for approval in October and is due to be adopted in November 2016. The strategy sets out the direction for housing in the borough and defines the role of the Council and its partners, this background summarises the position laid out in that strategy in relation to both Housing Need and the supply of Temporary Accommodation as follows;

Haringey's growing population means that 20,361 new households could be formed by 2026. The borough has an annual requirement for an additional 1,357 household spaces in Haringey between 2011 and 2026 and a net requirement for 497 new affordable homes per annum.

The main form of expressed demand is the Council's Housing Register and there are nearly 8,500 applicants registered for housing on the register. As a result there is also significant demand for emergency and temporary accommodation, for people in acute housing need awaiting housing via the register or attempting to gain a place on the register.

"First Stage" emergency, accommodation is required for people who approach the Council as homeless and must be provided by law, to those who qualify, whilst a homelessness case is assessed and determined. If the Council accepts a statutory homelessness duty, more settled, or "second stage" temporary accommodation is provided while the applicant waits for permanent re-housing.

The supply of housing for use as first or second stage temporary accommodation is insufficient and the current and future supply landscape is challenging. As part of the London market, Haringey faces rising house prices and private rent levels while the supply of affordable housing is reducing as national new build targets are not being met. The existing stock of social housing is diminishing and the council is facing demand that far outstrips supply.

The main source of both First and Second stage temporary accommodation is the private rented sector. However, Private sector temporary accommodation is expensive, scarce, unsettled and generally offers a low standard of facilities for residents.

Haringey Council's Corporate Plan Priority 5 Board has identified increasing the supply of affordable good quality temporary accommodation as a critical area. Working in partnership with Homes for Haringey, the Council has identified a number of vacant sites being held for regeneration that can be converted for use as shared facility hostel type temporary accommodation over the medium term (5-10years).

The first site identified, Broadwater Lodge, is currently undergoing works to prepare it for use from mid-January 2017. Additional sites are currently at the feasibility stage.

6.2 Broadwater Lodge

The Council and Homes for Haringey successfully gained planning permission to convert Broadwater Lodge into a shared facility hostel in June 2016. When ready for use the Lodge will provide;

- 51 shared facility rooms with 72 bedspaces for general use by families.
- One self contained 2-3 bed-space mobility standard unit.

Led by Homes for Haringey's Asset Management, work is now underway and on track to make the Lodge ready for use by January 2017.

6.3 Broadwater Lodge Operating model

A dedicated project team from Haringey Council and Homes for Haringey has developed the operating model which is outlined at Appendix A. The operating model is designed to ensure a high quality of service provision and facilities whilst delivering both value for money and cashable saving to the general fund.

Allocations

Broadwater Lodge will only be used to house families. The layout of the building will ensure that lone parent families are accommodated in their own wings to minimise the risk of any unwelcome interaction from other residents.

Facilities

Each wing of Broadwater Lodge is provided with kitchen, dining, bathing and toilet facilities sufficient to support the anticipated maximum occupancy rate. All of the rooms will be fully furnished and many of the rooms have been provided with their own sink. There are generous grounds onsite and the property is located next to Lordship Lane Recreation Grounds ensuring ample play space for children. The DDA compliant accommodation is self contained with its own level access mobility standard kitchen, toilet and bathing facilities.

Security

The Council have taken into account concerns regarding site security and the potential for the local community to be impacted. A security guard will patrol the lodge out of hours and a reception service will operate 24 hours a day. In order to ensure the safety and security of hostel residents and prevent unauthorised entry, there will only be one point of entry controlled by staff, residents and their visitors will not be given keys or fobs to access the building themselves. CCTV and door alarms will allow the reception office to monitor the building and

grounds ensuring that individuals cannot gain access to the building via fire exits or to wing . In addition, all visitors to the Lodge will be required to sign in on entry and leave by a curfew.

Safeguarding

In addition to ensuring that only families are housed at Broadwater Lodge and providing specific accommodation areas to lone parents, we have sought to provide additional safeguarding controls via compartmentalisation of the facilities. Each resident will only be able to access the wing of the building where their room is located and access to the building will be via the reception service only. Each wing has been provided with sufficient kitchen, dining, toilet and bathing facilities for the anticipated number of residents meaning that there is no requirement for them to access the other wings. The fire escapes and communal hallways are also subject to controls to ensure the compartmentalisation is maintained at all times.

Out of Hours emergency accommodation

An additional benefit of the 24 hour reception service is that the Council will be able to accommodate out of hours sign ups of new clients requiring emergency accommodation. This will be of particular benefit to Social Services who are reliant on expensive Hotel accommodation to place these clients currently. A crash pad has been put in place for the specific purpose of providing out of hours emergency overnight bedspaces to families accessed directly from the reception facility to ensure security is not compromised.

6.4 Operating Broadwater Lodge as First Stage Emergency Accommodation and Move On centre.

As noted in section 6.1, Emergency “First Stage” accommodation is required for people who approach the Council as homeless and must be provided by law, to those who qualify, whilst a homelessness case is assessed and determined. If a statutory homelessness duty is accepted, more settled, or “second stage” temporary accommodation is provided while the applicant waits for permanent re-housing.

Families approaching the Council as homeless will be placed by Homes for Haringey into Broadwater Lodge for 6-8 weeks as “first stage” accommodation. This time will allow us to work proactively with the families to prepare them for gaining and sustaining their own tenancies be that in Second Stage temporary accommodation or, wherever possible, long term settled accommodation.

Over the 6-8 week period Homes for Haringey will work with families to;

- Investigate and establish if the Council have a statutory homeless duty to them
- Assess their long term housing needs, financial situation and welfare circumstances
- Agree the most suitable housing solution for each family, which may include moving into the private sector, moving out of Haringey, moving into second stage temporary accommodation or a range of the above options
- Develop their personal housing plan setting out the how Homes for Haringey and the Council will work with the families to secure long term housing.

- Secure at least second stage temporary accommodation and complete their move to that accommodation.

In planning Broadwater Lodge, Homes for Haringey have ensured that there is sufficient office space to allow the new Temporary Accommodation Move On team to hold daily surgeries with residents on site at times that are convenient to families in a familiar and secure environment.

6.5 Financial provisions and assumptions

As part of proposing the appropriate rental charge for any of the Council's accommodation the Council's Finance team ensure that provisions are in place for any likely expenditure not provided for in the calculated service charges. In order to ensure that Broadwater Lodge is financially viable the Council and Homes for Haringey have calculated these provisions and illustrated them in the operating model (As set out on the last page of Appendix A for details). This is essential to ensure that the lodge doesn't impact on the General Fund and we have worked to ensure that the day to day operating costs and initial capital costs are covered by the expected rental income.

Below we have provided an explanation of the financial provisions and their purpose.

Irrecoverable debt

The rent roll includes a provision for irrecoverable rent arrears and debts across the Council's entire housing stock; currently this is set at 0.5% of rental income. This ensures that the rent roll accounts are not impacted in the event of irrecoverable debts being generated, these can arise in a number of instances such as the death of a resident in temporary accommodation.

Void loss

The rent roll includes a provision to cover lost income caused by void periods where the Council cannot charge rent; currently this is set at 1% of rental income. This ensures that the rent roll accounts are not impacted during the void period between tenancies.

Repairs and maintenance

As a result of both normal wear & tear and, occasional, misuse all of the Council's properties require ongoing day to day repairs and maintenance. The repairs budget is drawn from the rental income. Homes for Haringey and the Council will ensure that provisions are made from within the rental income for the Lodge for essential repairs and maintenance.

Recovering the initial capital costs of making Broadwater Lodge ready for use

There is a capital cost associated with converting Broadwater Lodge from a residential care home to a shared facility hostel and in order to ensure that the project is cost neutral. Homes for Haringey and the Council will recover this cost from the rental income over the expected lifetime of the facility.

6.6 Proposed Broadwater Lodge rental charges

As part of the planning permission application to change the usage of Broadwater Lodge a commitment was made to limit the rental charge to tenants to the appropriate Local Housing Allowance subsidy rate (LHA).

Specific advice from Haringey Council Shared Services Benefits team is that the following LHA subsidy rate is claimable for each room;

Shared facility Hostel rooms; The 1 bedroom Outer North London Broad Rental Market Area will be claimable. The current rate = £199.68 per week.

Self contained mobility standard room; The 2 bedroom Outer North London Broad Rental Market Area will be claimable. The current rate = £ 255.34 per week.

The proposed rent levels for the shared facility rooms at Broadwater Lodge represent value for money. This position is based on the Council's financial appraisal of the operating model of Broadwater Lodge, which demonstrates that the facility will be cost neutral and has the potential to generate a small annual surplus (As set out on the last page of Appendix A).

6.7 Ensuring rental charges are affordable

By maintaining the rental charge at the LHA subsidy rate the Council are ensuring that the accommodation is as affordable possible to all of the Lodge residents. The Council have also sought specific reassurances regarding whether specific restrictions and caps will apply to the residents of this accommodation. A summary of the advice received from Haringey Council Shared Services Benefits team is outlined below.

Under occupancy caps (i.e. Bedroom tax)

As Haringey Council will own and run the facility, via their managing agent, Homes for Haringey, there is the potential that the social sector size criteria will apply (i.e. under occupancy caps). However, as each room will be occupied by at least a single parent with 1 child they will never be under occupied and therefore clients residing in these facilities will not be affected by this cap.

Maximum benefit claim cap

Non-Working clients are subject to the maximum total amount they can claim in benefits and it is therefore possible that residents of these facilities will be affected. The maximum amount claimable for a family will be £442.31 per week by the time the Lodge opens in January 2017. By setting the rent level at the LHA subsidy rate the Council are minimising the potential for this to occur. In the event a client is affected by the cap the Council will seek a Discretionary Housing Payment (DHP) to minimise the impact on their finances.

Under 35 restrictions to the Shared accommodation rate

The Under 35 restrictions to the shared accommodation rate will not apply as the accommodation will be exclusively used for families; they are exempt from the restriction because it only applies to single persons.

6.8 Reinvesting any surplus from the Rental Income generated

The Council and Homes for Haringey are projecting that a small surplus will be generated from the rental income of Broadwater Lodge and this will returned to the General Fund.

6.9 Applying the Broadwater Lodge rent and service charge model to future hostel conversions

It is recommended that the operating model, service charge structure and rental level designed for Broadwater Lodge be applied to all future shared facility hostel developments. This will reduce development time, allowing the procurement of contracts which can benefit from economies of scale and put in place a “hub and spoke” model for the management structure of all hostels.

Criteria for selecting property for conversion to Hostel accommodation

All of these facilities will only be considered and taken forward if they comply with the following principles:

- The day to day running costs can be funded entirely from within the rental income generated.
- The rent levels do not exceed the Local Housing Allowance subsidy rate claimable.
- The net total of the day to day running cost and initial capital cost to make the facility useable is less than the cost of providing similar accommodation via alternative existing mechanisms (i.e. the facility is at least cost neutral).
- Where required, a change of usage application is sought and granted by the relevant planning board.

Operating model and related service charges

The Operating model developed for Broadwater Lodge (as outlined at Appendix A) is scalable and can be adapted to both smaller and larger hostels. Operating models for all future hostels will be designed to ensure the service costs do not exceed the appropriate LHA subsidy rate recoverable via the rental charge (see below).

Rent levels

As outlined at section 6.5, the specific advice from Haringey Council’s Shared Services Benefits team is that the appropriate Outer North London Broad Rental Market Area will be claimable. The rental charges for each future hostel will be set in accordance with this principle and the Council request that this be set as a policy.

Surplus

The Council are projecting that a small surplus will be generated from the rental income of each Hostel and this will be returned to the General Fund.

7. Contribution to strategic outcomes

This report contributes to Priority 5 of the 2015/18 Corporate Plan; Create homes and communities where people choose to live and are able to thrive, as follows;

- Increasing the supply of both emergency and temporary accommodation.
- Reducing the cost of both emergency and temporary accommodation to the general fund
- Reducing the reliance of the Council on privately supplied accommodation to meet the demand for housing.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

The rents are proposed to be set at the current Local Housing Allowance subsidy rates. The whole of this amount would be eligible for housing benefit subsidy. However, this is due to change in April 2017 with the removal of the management element of temporary accommodation subsidy (£40) which will be replaced by a new formula. This is expected to result in a lower level of income.

The financial model at appendix A shows the cost of the first full year and includes an allowance for repayment of one fifth of the capital cost. Whilst costs would inflate and income reduce, efficiencies will be sought through for example, sharing of services.

The net revenue position for the Council would not include the repayment of the capital and therefore using the year one figures from Appendix A the net revenue would be in the region £130k. This would reduce net expenditure on general fund budgets.

A full viability appraisal would include capital financing costs and assess the impact of minimum revenue provision, the budgets for which are held centrally. However in addition to the revenue savings generated, this project also avoids the higher costs of using a private facility.

Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report and comments as follows.

Broadwater Lodge will be used to discharge the council's functions under Part VII of the Housing Act 1996 (homelessness functions) as is not the type of expenditure or revenue reserved to the Council's Housing Revenue Account under the Local Government and Housing Act 1989. It can therefore be funded from the General Fund and any rents received can be credited to the General Fund.

Section 206 (2) (a) of the Housing Act 1996 (the Act) allows a local authority discharging its functions under Part VII of the Housing Act 1996 by providing temporary accommodation, to require the person to whom the duty is being discharged to pay such reasonable charges as the Council may determine. In addition, where the Council is using its own accommodation there is a general power under section 24 of the Housing Act 1985 to make a reasonable charge for the accommodation.

Section 206 (1) of the Act also requires the accommodation provided in discharge of homelessness functions to be suitable and that means that it has to be affordable. Setting the rent levels at the LHA subsidy rates should ensure that the accommodation is affordable and these rates reflect a reasonable charge for the accommodation.

Equality

Haringey Council has a public sector equality duty under the Equalities Act (2010) to have due regard to; tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity,

race, religion or belief, sex and sexual orientation); advance equality of opportunity between people who share those protected characteristics and people who do not; and foster good relations between people who share those characteristics and people who do not.

In order to ensure compliance with the duties outlined above the Council allocate all of the temporary accommodation in accordance with Haringey Council's Temporary Accommodation placement policy. The new Temporary Accommodation placement policy was submitted to Cabinet for approval in October 2016 and was subject to a full Equalities Impact Assessment as part of the Temporary accommodation Supply plan submitted to Cabinet February 2016 (As set out in Appendix C Equalities Impact Assessment for Supply Plan Temporary Accommodation Allocations Policy report).

Provision of Shared Facility Hostels for First stage emergency accommodation will allow us to mitigate the impact on families of the proposals to place clients outside of London under Haringey Council's new Temporary Accommodation Placement Policy. The Council will place families into its own Shared Facility Accommodation wherever possible and work with them whilst they are in this accommodation to source more long term settled housing.

9. Use of Appendices

- Appendix A Broadwater Lodge Working Model and Operating Costs.
- Appendix B Broadwater Lodge planning application
- Appendix C Equalities Impact Assessment for Supply Plan Temporary Accommodation Allocations Policy report

10. Local Government (Access to Information) Act 1985

Outer North London Broad Rental Market Areas subsidy rates for 1 April 2016 to 31 March 2017 which can be viewed on Haringey Council's website at the following location;

<http://www.haringey.gov.uk/council-tax-and-benefits/housing-benefit-and-council-tax-reductions/local-housing-allowance/lha-rates> Equalities Impact Assessment for Supply Plan Temporary Accommodation Allocations Policy report

Cabinet Report Housing Supply Plan and Temporary Accommodation Placements Policy (Cabinet 18th October 2016 Agenda item 17) which can be viewed on Haringey Council's website at the following location;

<http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?Committeeld=118>

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