



## Mayor and Cabinet

### Report title: Acquisition of Sydney Arms

**Date:** 11 November 2020

**Key decision:** Yes

**Class:** Part 1

**Ward(s) affected:** Lewisham Central

**Contributors:** Executive Director for Housing, Regeneration and Public Realm, Director of Corporate Resources, Director of Law, Governance & HR

### Outline and recommendations

This report seeks to gain authority in principle from Mayor and Cabinet to acquire the Sydney Arms, for the purpose of Temporary Accommodation (TA), and to delegate authority to officers to agree the final terms of the acquisition.

It is recommended that the Mayor and Cabinet:

- Note the rationale for the proposed purchase of Sydney Arms, 122 Lewisham Road, SE13 7NL;
- Note the due diligence work already undertaken in relation to the proposed purchase of the Sydney Arms and the further due diligence work required to complete the business case;
- Agrees in principle to purchase the Sydney Arms, 122 Lewisham Road, SE13 7NL;
- Authorises the Council to enter into contract with the GLA regarding the funding arrangement should satisfactory terms be agreed;
- Notes that in the unlikely event that a contract agreement cannot be reached with the GLA, alternative options for purchasing the building will be explored; and
- Delegates authority to the Executive Director for Housing, Regeneration and Public Realm in conjunction with the Director of Law, Governance & HR and Executive Director of Corporate Resources to proceed with the purchase and complete the acquisition of the Sydney Arms, 122 Lewisham Road, SE13 7NL once they are satisfied with the business case and that the purchase and subsequent refurbishment reflects value for money.

## Timeline of engagement and decision-making

N/A

### 1. Summary

- 1.1. This report seeks to gain authority in principle from Mayor and Cabinet to acquire the Sydney Arms, a building in the Central Lewisham ward which comprises 16 units of accommodation.
- 1.2. This accommodation will be used as temporary accommodation to house homeless households. The building will provide much needed, good quality accommodation in the borough, which will be owned by the Council and will benefit from the income received as well as from the saving on expensive nightly paid temporary accommodation.
- 1.3. The report outlines three options for purchase, where option 1 is preferred. Option 1 details purchasing the building using borrowing plus capital grant funding from the GLA, following a successful application to the 'Rough Sleeper Accommodation Programme,' pending successful entry into a contract with the GLA.
- 1.4. In the unlikely event of the Council being unable to enter into GLA contract, a further two options have been outlined in the report to purchase the building.
- 1.5. Subject to due-diligence and the necessary survey work, and pending successful purchase, it is intended that the building will be ready to be occupied by 1<sup>st</sup> April 2021. This date also aligns with the grant conditions from the GLA.
- 1.6. A full due diligence (including structural surveys and financial assessments) of the property is currently being undertaken to understand the best design option for the purpose of providing temporary accommodation.
- 1.7. Commercially sensitive information relating to the matters referred to in this Part 1 report is contained in a closed report on Part 2.

### 2. Recommendations

- 2.1. It is recommended that the Mayor and Cabinet:
- 2.2. Note the rationale for the proposed purchase of Sydney Arms, 122 Lewisham Road, SE13 7NL;
- 2.3. Note the due diligence work already undertaken in relation to the proposed purchase of the Sydney Arms and the further due diligence work required to complete the business

case;

- 2.4. Agree in principle to purchase the Sydney Arms, 122 Lewisham Road, SE13 7NL;
- 2.5. Authorise the Council to enter into contract with the GLA regarding the funding arrangement should satisfactory terms be agreed;
- 2.6. Note that in the unlikely event that a contract agreement cannot be reached with the GLA, alternative options for purchasing the building will be explored; and
- 2.7. Delegate authority to the Executive Director for Housing, Regeneration and Public Realm in conjunction with the Director of Law, Governance & HR and Executive Director of Corporate Resources to proceed with the purchase and complete the acquisition of the Sydney Arms, 122 Lewisham Road, SE13 7NL once they are satisfied with the business case and that the purchase and subsequent refurbishment reflects value for money.

### **3. Policy Context**

- 3.1. The Council's Corporate Strategy (2018-2022)<sup>[1]</sup> outlines the Council's vision to deliver for residents over the next four years. Building on Lewisham's historic values of fairness, equality and putting our community at the heart of everything we do, the Council will create deliverable policies underpinned by a desire to promote vibrant communities, champion local diversity and promote social, economic and environmental sustainability. Delivering this strategy includes the following priority outcomes that relate to the provision of new affordable homes:
  - Tackling the Housing Crisis – Providing a decent and secure home for everyone.
- 3.2. Building an Inclusive Economy – Ensuring every resident can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
  - Building Safer Communities – Ensuring every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.
- 3.3. Homes for Lewisham, Lewisham's Housing Strategy (2015-2020)<sup>[2]</sup>, includes the following priority outcomes that relate to the provision of new affordable homes:
  - Key Objective 1 – Helping residents in times of severe and urgent housing need.
  - Key Objective 2 – Building the homes our residents need.
  - Key Objective 4 – Promoting health and wellbeing by improving our resident's homes.
- 3.4. The new Lewisham Housing Strategy 2020-26, which is being considered by Mayor and Cabinet, also contains the following priorities that are met by this report.
  - Delivering the homes that Lewisham needs.
  - Preventing homelessness and meeting housing need.

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<sup>[1]</sup><http://councilmeetings.lewisham.gov.uk/documents/s61022/Draft%20Corporate%20Strategy%202018-2022.pdf>

- Supporting our residents to live safe, independent and active lives.

## 4. Background

### Housing Context

- 4.1. The demand for housing assistance in Lewisham has increased in recent years and remains substantial. This is being driven by:
  - A lack of genuinely affordable homes and a decline in the available social homes for let;
  - A severe shortage of available properties at LHA where the landlord is willing to let to homeless, largely benefit dependent, claimants;
  - The increasing cost of the private rented sector (PRS) and an increasing reliance on the PRS;
  - Welfare reform, including the freezing of local housing allowance (LHA) until 2018.
- 4.2. The impact of the COVID-19 pandemic has also brought about a change in demand, with an increased need for accommodation to assist rough sleepers.
- 4.3. As a result of these pressures, the council has rapidly expanded the amount of temporary accommodation it has sourced to meet the needs of homeless households. As at the end of September 2020, almost 2,500 households were in TA arranged by Lewisham, of which 760 households were in nightly paid accommodation. This is the most expensive and insecure form of temporary accommodation.
- 4.4. The council has spent £109m on temporary accommodation between 2016/17 and 2019/20, of which £9.7m was net expenditure. These unrecoverable costs are largely driven by the use of nightly paid accommodation.
- 4.5. To tackle the increase in demand, improve quality and drive down costs the council has embarked on a number of work programmes. These include:
  - An expanded homelessness prevention service delivering an increased rate of successful preventions;
  - The acquisition of homes for use as temporary accommodation by the council and by our partners;
  - The development of new social homes and temporary accommodation through our Building for Lewisham programme;
  - The continued procurement of properties for use as temporary accommodation or to permanently resettle households.
- 4.6. However, the structural drivers of homelessness remain in place and as such demand remains substantial. This opportunity allows the authority to expand the provision of much needed, high quality, in-borough temporary accommodation for some of our most vulnerable residents.

### Background to the GLA grant: Rough Sleeper Accommodation Programme

- 4.7. In 2020 the GLA was successful in securing £57.8m capital and £8.9m revenue funding from central government to deliver new accommodation for rough sleepers under the 'Rough Sleeper Accommodation Programme – RSAP'. Accommodation provided under this programme is to be initially targeted at those rough sleepers with a Lewisham connection who were supported during the Covid-19 lockdown.
- 4.8. London authorities were invited to bid for capital funding from this fund to assist in the acquisition and development of buildings into longer term move-on accommodation for

rough sleepers and revenue funding to support those accommodated. Funding is being made available for up to five years.

- 4.9. The council was successful in a bid to the GLA for capital funding to acquire and refurbish the Sydney Arms into 16 units of accommodation and further revenue funding over five years to work with those accommodated and to support move-on into longer-term sustainable accommodation.
- 4.10. There are a number of conditions to the grant to note, including: ensuring that the units are occupied by April 1<sup>st</sup> 2021; increasing the bathroom to shared room ration to 1:2 within the building and maintaining rents at London Affordable Rents (LAR).
- 4.11. The grant funding will be awarded in full pending authorisation from Mayor and Cabinet, and the Council and the GLA agreeing terms and entering into contract.

## **5. Acquisition and Refurbishment**

- 5.1. The Sydney Arms was previously operating as a public house in the Lewisham Central ward. The public house was closed and the property was recently refurbished and converted into flats. The acquisition of the Sydney Arms is being considered in the context of its readiness for immediate move-in with limited additional work. The property has already been refurbished, will be purchased vacant, and is ready for occupation.

A purchase price has been negotiated for the building. Full due diligence surveys and assessments will be completed prior to purchase, including a full structural survey, asbestos survey and mechanical and engineering surveys.

- 5.2. The price negotiated is considered value for money on the basis that 16 households currently residing in nightly paid temporary accommodation can be accommodated in-borough. Full assessment of value for money will be available upon completion of the ongoing due diligence work and will be available for the recommended delegated decision.
- 5.3. The average cost of a self-contained nightly paid 1 bedroom property is approximately £5,700 per household per year, although it is often significantly larger. This is causing severe budget pressures within the service resulting in a shortfall in the annual cost of the B&B service which is a pressure on the general fund and the most substantial net expenditure the Housing Services team incur.
- 5.4. As this acquisition will be either funded by or held in the Council's General Fund, any development will need to return a positive Net Present Value within the Council's development appraisal model or return a saving to the Council when considered alongside savings from Temporary Accommodation. This will be the benchmark on which a decision to purchase will be made.
- 5.5. The Council's preferred option for purchasing the building is through a contract with the GLA for grant funding. In the unlikely event that a contract agreement cannot be reached with the GLA, alternative options for purchasing the building will be explored.

## **6. Financial implications**

- 6.1. This report seeks approval for an in principle agreement to purchase Sydney Arms, 122 Lewisham Road, SE13 7NL.
- 6.2. In addition this report seeks delegated authority to the Executive Director for Housing, Regeneration and Public Realm in conjunction with the Executive Director of Law,

Governance & HR and Executive Director of Corporate Resources to proceed with and complete the purchase once they are satisfied with the business case and that the purchase and subsequent refurbishment reflects value for money.

- 6.3. The ongoing due diligence work and robust financial modelling will enable a full assessment of the options to aid the recommended delegated decision.
- 6.4. As outlined in this report, any General Fund capital projects of this nature will need to return a positive Net Present Value within the Council's development appraisal model. This together with any other options to de-risk the development and achieve policy aims will form the basis upon which a decision to purchase will be made.
- 6.5. In the event that the scheme does not progress beyond this stage, any costs incurred to date will be classified as abortive costs and would remain a revenue charge

## **7. Legal implications**

- 7.1. Under Section 120 of the Local Government Act 1972, the Council has power to acquire land by agreement for the purposes of (a) any of its functions (including the provision of Temporary Accommodation or (b) the benefit, improvement or development of its area.
- 7.2. The Council has a wide general power of competence under Section 1 of the Localism Act 2011 to do anything that individuals generally may do. The existence of the general power is not limited by the existence of any other power of the Council which (to any extent) overlaps the general power. The Council may therefore also rely on this power for this acquisition in line with funding considerations discussed in the Financial Implications.
- 7.3. The Council would be purchasing the freehold title to the property with vacant possession. Subject to full legal due diligence, it is expected that the Council would acquire good and marketable title following completion of the acquisition.
- 7.4. In accordance with the Mayoral Scheme of Delegation, any decision to acquire property with a value of more than £500,000 is reserved to members.

## **8. Equalities implications**

- 8.1. There are no equalities issues arising specifically from this report.

## **9. Climate change and environmental implications**

- 9.1. It is considered that refurbishment and reuse of the existing building will outweigh the negative climate change impacts resulting from unnecessary carbon outlays of new build construction. Additionally, the council will endeavor to source building materials from local suppliers to reduce the travel distance and seek materials that do not contain animal products – where possible. This will help Lewisham achieve its carbon reduction goals.

## **10. Crime and disorder implications**

- 10.1. By bringing this property into active use, we will create passive surveillance resulting in an improved environment for the immediate locality.

## **11. Health and wellbeing implications**

- 11.1. There are no health and wellbeing issues arising specifically from this report.

## 12. Report author and contact

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