



Mayor and Cabinet

Report title: Lease arrangement with Lewisham Homes for Next Steps Accommodation

Date: 10th February 2021

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 to lease the recently purchased building 'The Sydney Arms' to Lewisham Homes should this be required for the purpose of providing housing management services at the property to support rough sleepers to move into long term, sustainable accommodation.

It is recommended that the Mayor and Cabinet:

- Agree to delegate authority to the Executive Director of Housing, Regeneration and Public Realm, in consultation with the Director of Law, Governance & HR, to grant a lease of the Sydney Arms to Lewisham Homes Limited should this be required and to agree the final terms of the lease and all associated documentation.

Timeline of engagement and decision-making

11 November 2020 M&C approval for Lewisham Council to acquire the Sydney Arms

1. Summary

- 1.1. The Sydney Arms, a building in the Central Lewisham Ward which comprises 16 units of accommodation, was purchased using GLA grant funding acquired following a successful bid application to the 'Rough Sleeper Accommodation Programme'.
- 1.2. The accommodation will be used to support rough sleepers to move into long term, sustainable accommodation. The building is 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. On 11 November 2020 authorisation was given by Mayor and Cabinet to proceed with the purchase of the property. The building was successfully purchased on the 27th January 2021. Necessary building works are commencing in early February 2021.
- 1.4. The Council and the GLA are currently in the final stages of entering into contract.
- 1.5. The GLA grant conditions require the property to be occupied by 1st April 2021. The purchase of the building has successfully completed sooner than anticipated, and the works required are less extensive than initially anticipated. Therefore the building can come into use sooner than the 1st April, subject to the finalisation of the management arrangements and completion of necessary works.
- 1.6. As the Council's lead partner for affordable housing, Lewisham Homes are best placed to manage the letting and tenancy management of these properties, alongside carrying out repairs for residents.
- 1.7. The report seeks delegated authority to agree the final terms and enter into a lease with Lewisham Homes for the Sydney Arms should this be required. It is necessary to request this authority from Mayor and Cabinet now in advance of knowing whether a lease will be required if the Council is to meet the deadline of 1st April to bring the building into use.

2. Recommendations

- 2.1. It is recommended that the Mayor and Cabinet:
- 2.2. Agree to delegate authority to the Executive Director of Housing, Regeneration and Public Realm, in consultation with the Director of Law, Governance & HR, to grant a lease of the Sydney Arms to Lewisham Homes Limited should this be required and to agree the final terms of the lease and all associated documentation.

3. Policy Context

- 3.1. The Council's Corporate Strategy (2018-2022)^[1] 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. Lewisham's 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.
 - 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

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

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'.
- 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. The programme is targeted at those rough sleepers who were supported during the Covid-19 pandemic.
- 4.9. Lewisham Council was successful in a bid to acquire and refurbish the Sydney Arms, a 16 bed property in Lewisham Central ward. The grant funding was awarded in full and the Council and the GLA are currently in the final stages of entering into contract.
- 4.10. There are a number of conditions to the grant, including: ensuring that the units are occupied by April 1st 2021; increasing the bathroom to shared room ration to 1:2 within the building; maintaining rents at London Affordable Rents (LAR); and the nature of the tenancies that can be offered.
- 4.11. The accommodation will be for rough sleepers with a Lewisham connection who were supported during the Covid-19 lockdown. An additional revenue grant was also awarded to provide an outreach support worker, who will work with residents to support them into longer term accommodation.

5. Acquisition, Refurbishment and Management

Acquisition and refurbishment

- 5.1. Further to the agreement by Mayor and Cabinet to purchase The Sydney Arms, the

building was successfully purchased on the 27th January 2021. The property has been purchased vacant and ready for occupation. The property comprises 8 x 1 bed self-contained units and 2 x 4 HMO units.

- 5.2. Minor works are required to bring all the units to a lettable standard. In addition, works are being undertaken in February 2021 to add two additional bathrooms to the shared accommodations area. This will bring the bathroom to room ratio to 1:2. This requirement forms part of the GLA grant conditions.
- 5.3. The GLA grant conditions are still being finalised. The units will be used for individuals with a Lewisham connection who have been rough sleeping, and who will be supported into long term sustainable affordable accommodation. The rents for the units will be London Affordable Rents in line with the conditions of the grant.

Management and lease arrangements

- 5.4. As the Council's ALMO and lead partner for affordable housing, Lewisham Homes are best placed to manage the letting and tenancy management of these properties, alongside carrying out repairs for residents.
- 5.5. As outlined in 5.3, the GLA grant conditions are still being finalised. It may be necessary to grant a lease of the property to Lewisham Homes should assured shorthold tenancies be required under the GLA grant funding conditions or, alternatively if in discussion with Lewisham Homes it is decided that this is the most effective way of enabling them to manage the property on the Council's behalf. As a local authority, the Council is legally unable to issue this form of tenancy agreement. However, there is nothing to prevent Lewisham Homes being able to issue them.
- 5.6. This report therefore recommends that a lease is granted to Lewisham Homes for the 16 units contained within the property. If it is required, the terms of the lease will be agreed with Lewisham Homes under the authority delegated by this report. Lewisham Homes will then let the units to the households identified by the Council. If it is not required, the lease will not be granted and the Council will let the units directly, although Lewisham Homes will carry out the operational management.
- 5.7. It is intended that any lease to Lewisham Homes will be cost neutral for Lewisham Homes with Lewisham Homes being entitled to deduct its management costs and the cost of repairs for which it is responsible from the rental income. Any shortfall and the costs of any repairs for which Lewisham Homes is not responsible will be met by the Council.

6. Financial implications

- 6.1. The report seeks Mayor and Cabinet approval to the leasing of Sydney Arms, 122 Lewisham Road, SE13 7NL to Lewisham Homes Limited and delegate authority to the Executive Director of Housing, Regeneration and Public Realm, in consultation with the Director of Law, to agree the final terms and all associated documentation.
- 6.2. These units are held as Temporary accommodation, and falls to be accounted for with the councils General Fund. As agreed by Mayor and Cabinet, prudential borrowing will be undertaken to supplement the grant receipt to finance the purchase and refurbishment of the accommodation. The financial model used to assess the development produced a positive position based on the GLA grant award and a rent level at London Affordable Rent (LAR).
- 6.3. The borrowing costs would need to be paid back over the term of the loan (with interest) from the lease rent received.

- 6.4. It is proposed that the operational management of the residential units is carried out by Lewisham Homes. As noted in this report, Lewisham Homes, as the Council's lead partner for affordable housing, are best placed to manage the letting and tenancy management of Sydney Arms, alongside carrying out repairs for residents
- 6.5. Whilst the lease agreement has to be formally decided, it should be noted that a failure to either agree the leasing arrangement or any agreement which does not result in the authority receiving enough lease rental income to service the debt taken on for the project, would have significant impact on the schemes overall financial viability.
- 6.6. As stated within this report, Lewisham Homes are the Council's wholly owned subsidiary and as such the negotiation of a lease agreement should be relatively straightforward. It is envisaged this will be agreed within the coming weeks. Once agreed, an updated position on the overall scheme performance can be established.

7. Legal implications

- 7.1. In accordance with Section 123 of the Local Government Act 1972, the Council may enter into a lease for less than seven years for whatever consideration the Council considers appropriate. The Council will not be receiving market value for the lease (as the rent for the units is required to be London Affordable Rent) and accordingly approval of Mayor and Cabinet is required under the Mayoral Scheme of Delegation.
- 7.2. . As a local authority, the Council is prohibited from being the landlord under an assured shorthold tenancy (para 12 of Schedule 1 to the Housing Act 1988). Accordingly it may be necessary to grant a lease of the property to Lewisham Homes should assured shorthold tenancies be required under the GLA grant funding conditions or, alternatively if in discussion with Lewisham Homes it is decided that this is the most effective way of enabling them to manage the property on the Council's behalf.. As a company Lewisham Homes is able to enter into assured shorthold tenancies.
- 7.3. Should it be required, the terms of the lease will be finalised and agreed under the authority delegated by this report.
- 7.4. In taking this decision, the Council's public sector equality duty must be taken into account. It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 7.5. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
 - eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.
 - foster good relations between people who share a protected characteristic and those who do not.
- 7.6. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Mayor and Cabinet must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

7.7 The Equality and Human Rights Commission (EHRC) has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance. The Council must have regard to the statutory code in so far as it relates to the duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found on the EHRC website.

7.8 The EHRC has issued five guides for public authorities in England giving advice on the equality duty. The 'Essential' guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice.

8. Equalities implications

8.1. The Sydney Arms will provide high quality accommodation, and support, for individuals who have been rough sleeping. This form of accommodation is in scarce supply in Lewisham and so this new acquisition will positively impact on a cohort of rough sleepers for whom access to high quality affordable accommodation is challenging.

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.

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. Lewisham Homes are an experienced and professional housing management organisation. They have a specialist Anti-Social Behaviour team that works well across all of the housing stock that Lewisham Homes manages on the Council's behalf.

11. Health and wellbeing implications

11.1. The accommodation at the Sydney Arms will provide housing for individuals who had previously been rough sleeping. The provision of both housing, and support, may have positive impacts on the health and wellbeing of the individuals who are housed in this accommodation.

12. Report author and contact

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