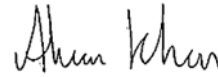


London Borough of Waltham Forest

Report Title	Securing Additional Temporary Accommodation Supply
--------------	---

Meeting / Date	Cabinet, 10 th September 2024
----------------	--

Cabinet portfolio	Councillor Ahsan Khan, Deputy Leader (Housing & Regeneration)
-------------------	---



Report author/ Contact details	Joe Garrod, Acting Strategic Director of Place joe.garrod@walthamforest.gov.uk
-----------------------------------	---

Wards affected	Lea Bridge, Cann Hall
----------------	-----------------------

Public Access	OPEN except for Appendix A, B & C which are EXEMPT in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest.
---------------	--

Appendices	Appendix A: Heads of Terms - London Walthamstow Ltd (Exempt) Appendix B: Heads of Terms - Waterside Lodge (Exempt) Appendix C: Finance Summary (Exempt) Appendix D: Equalities Screening Template
------------	--

1. Summary

1.1 The council is continuing to face high levels of housing need and, in particular, large numbers of presentations of homeless households who go on to be assessed as eligible for temporary accommodation. This is a nationwide issue faced by many local authorities both inside and outside of London, but it is particularly acute in the Capital.

1.2 The council has been offered the opportunity to secure two lease transactions, which will collectively provide 245 new units of in-borough self-contained temporary accommodation. This will reduce the pressure on the Housing Options service to secure nightly accommodation from third parties, such as commercial hotels, at a high cost to the General Fund. These options will allow more families with children to be provide with temporary accommodation in the borough. It will also allow household to move on from accommodation

with shared facilities to self-contained provision whilst their homeless applications are processed and permanent accommodation is being sought. This is of particular importance given the legal requirement to only house families in shared accommodation for a maximum of six weeks.

- 1.3 This report sets out a series of short and medium term proposals which seek to relieve the immediate financial and supply pressures relating to temporary accommodation that have been impacting the council.

2. Recommendations

- 2.1 Cabinet is recommended to:

- 2.1.1 Agree to the Council taking a 5 year serviced lease (with the option to break on six months' notice after a minimum term of 18 months) of the London Walthamstow Hotel 543 & 586 Lea Bridge Rd, Leyton, London E10 7EB & E10 7DN (formerly known as the Sleeping Beauty Hotel/All Seasons Hotel), consisting of 221 self-contained rooms to be used as temporary accommodation in fulfilment of the council's duties towards families in housing need on the Heads of Terms at Appendix A.

- 2.1.2 Agree to the council taking a 3-year lease of at Waterside Lodge, a former care home in Southern Leytonstone, consisting of 24 self-contained rooms to be used as temporary accommodation in fulfilment of the Council's duties towards families in housing need on the Heads of Terms at Appendix B.

- 2.1.3 Agree, in principle, the option to purchase the freehold of Waterside Lodge at any point during the lease term, subject to agreement of commercial terms.

- 2.1.4 Delegate authority for the agreement of the final terms of the lease transactions of London Walthamstow Hotel and Waterside Lodge, and final terms of the acquisition of Waterside Lodge, to the Commercial Director, Property and Delivery, in consultation with the Strategic Director of Place, the Strategic Director of Resources, the Corporate Director of Governance and Law and the Corporate Director of Housing.

3. Proposals

Background & Overview

- 3.1 There is a significant shortage of available social housing and affordable private rented sector properties for residents in Waltham Forest who are in housing need. This has coincided with an increase in homelessness and demand for both temporary and settled accommodation.

- 3.2 High levels of demand for temporary accommodation are a significant cost pressure for the council. A key point to note is that, despite being

a housing cost, expenditure on temporary accommodation is within the General Fund rather than the Housing Revenue Account (HRA).

- 3.3 In recent years, the council has been successful in keeping the number of households in temporary accommodation low when compared with other London boroughs. Rising costs in the private rented sector (PRS) and a lack of supply is threatening this record.
- 3.4 The number of households in temporary accommodation between October 2022 and Jan 2024 has increased approximately 10% each year. There are currently around 1,300 households in temporary accommodation. Unfortunately, many households have been placed in accommodation out of borough due to lack of availability.
- 3.5 The reduction in the supply of PRS homes available for use as temporary accommodation has forced the council to use bed and breakfast (B&B), hostel and hotel accommodation to house a significant number of homeless households. The use of commercial hotels in particular leads to financial pressures on the General Fund.
- 3.6 Due to the lack of affordable housing supply and affordable housing options in the PRS, households are staying in temporary accommodation for much longer. This includes shared accommodation and is creating uncertainty and challenges for residents and additional financial pressure for the council.
- 3.7 The council currently has over 450 households placed in shared accommodation and has a requirement to move families out of any shared accommodation within six weeks. Over 205 of the families have been housed in shared temporary accommodation for more than six weeks due to lack of suitable alternative accommodation. The average time families are staying in shared accommodation is 20 weeks, with ten families staying in shared accommodation for over nine months.
- 3.8 Enfield Council was recently fined £6,000 by the Local Government and Social Care Ombudsman for breaching the six-week shared accommodation rule and the council is could be at risk of similar fines being imposed on it.

Other initiatives and longer-term solutions

- 3.9 The recently approved Mears Joint Venture (JV2), will provide a long-term steady increase in homes over the next five years for discharge duty, allowing households to move out of temporary accommodation. This is estimated to provide 12 homes per month, with a total of 400 homes over the acquisition period. However, JV2 will not provide the immediate quantum of housing required to relieve urgent supply needs and to relieve the immediate financial pressures.
- 3.10 The council recently received £2.4m of Local Authority Housing Fund (LAHF) from government, which was used to support the acquisition of 11 homes in 2023/24, 8 of which will be used as temporary accommodation. The council has received further LAHF3 grant funding to acquire a minimum of 28 more street properties in the coming year, 23 of which will be for temporary accommodation.

- 3.11 The council is also reviewing its existing assets under the Asset Transformation programme. This is with a view to developing a longer-term strategy for increasing self-contained temporary accommodation in the borough in existing council buildings, and at a more affordable rate to the council.
- 3.12 Considering the above, the council has engaged in discussions on the two lease acquisitions outlined below as a short to medium term solution. If agreed and implemented, these options would not only provide an increase in self-contained temporary accommodation but would also improve the council's overall net financial position by reducing the cost burden of using commercial hotels for temporary accommodation.

The London Walthamstow Hotel

- 3.13 The London Walthamstow Hotel, 543 & 586 Lea Bridge Rd, Leyton, London E10 7EB & E10 7DN (Sleeping Beauty Hotel/All Seasons Hotel) is owned by London Walthamstow LTD, who operate under the name London Hotels Group. The hotel comprises 221 rooms with en-suite shower cubicles. It is on two sites opposite each other just south of the Bakers Arms. As such, the hotel is in a good location to access local amenities and council and other public services.
- 3.14 Until recently, the hotel was used by the Home Office as accommodation for asylum seekers. The Home Office vacated the premises in April 2024, and it has since remained vacant. London Walthamstow Ltd approached the council in January 2024 with a proposal to rent the rooms as temporary accommodation. It is understood that if the council does not enter into a lease with London London Walthamstow Ltd, the owners are likely to either enter into a lease with another local authority, who will likely use the rooms for temporary accommodation, or lease the property another commercial hotel franchise.
- 3.15 The property has been viewed by managers in the Housing Options and Support service and has been assessed as suitable for use as in-borough temporary accommodation for homeless households. This is on the basis that works are undertaken to ensure that all rooms provide self-contained facilities. The units are big enough to accommodate small families with one or two children under ten years old. It is proposed that the Housing Options and Support service would be responsible for all placements into the property.
- 3.16 The landlord has applied to the Local Planning Authority for change-of-use from a hotel to use as temporary housing accommodation (use class sui generis). In anticipation of receiving suitable approval, it has initiated the required works to ensure the rooms are self-contained and to the standard required for temporary accommodation provision. The works primarily involve the addition of a kitchenette into each room as well as adapting five of the ground-floor rooms to be wheelchair accessible.

- 3.17 The council's Property team has agreed Heads of Terms (HoTs) with London Walthamstow Ltd, these are available at exempt Appendix A. The proposed full lease term is five years. The council could terminate the lease by serving six months' notice any point after the first 18 months.
- 3.18 The council has also negotiated a management arrangement of the London Walthamstow Hotel as part of the HoTs. It is proposed that management and maintenance is undertaken by the landlord, London Hotels Group. These obligations will form part of the lease rather than under a separate management agreement. The council has reviewed whether it could take on the management of the building, but given the size and scale, it was deemed not to be logistically feasible. A contingency of 30% of the total lease cost has been factored into the business case appraisal to allow for these management fees and any future uplift, plus council costs associated with monitoring of the contract.
- 3.19 The Temporary Accommodation Contracts team will be responsible for delivering an effective occupancy, property management and contract management service. The management and service provision arrangements will be incorporated into the lease as Landlord's obligations and subject to the usual landlord and tenant legislation.
- 3.20 The council's Temporary Accommodation Resident Support Officers (TARSO) will provide support to residents accommodated to achieve positive outcomes, including access to employment, and tenancy sustainment. Support is available by telephone, online or in person to meet the needs of individual households.
- 3.21 The business case for leasing the hotel, is based on the overall cost of the lease being less per room than what is currently paid out by the council on commercial hotels. The council will review the value for money business case as well as required demand for the rooms on a yearly basis to determine whether to continue with the lease, or whether to serve notice and terminate.
- 3.22 The net cost to the council would also decrease if the 30% uplift to cover any management fees and unknowns is reduced or not utilised. This will become clear once final lease terms are agreed. The full financial implications are available in Section 7 and in exempt Appendix C.
- 3.23 Taking a lease for a large quantum of homes not only helps to meet increased demand for temporary accommodation but also enables the council to significantly reduce the number of families living in shared accommodation, including accommodation outside of the borough. The council faces the risk of fines from the Ombudsman for breaching the six-week time limit on families in shared accommodation. While leasing these units will not remove the risk entirely, because some households will be too large for units size in the accommodation, it does significantly reduce it.

Waterside Lodge, 7 Langthorne Road

- 3.24 Waterside Lodge, 7 Langthorne Road, Leytonstone, E11 4HL, is a former care home owned by Smart Capital Ventures Ltd. Smart Capital Ventures Ltd. is a Special Purpose Vehicle (SPV). This could allow a 'transfer of a going concern' ([TOGC](#)) transactions, meaning no VAT may be chargeable. However, given strict rules around this, it requires further exploration and potentially specialist tax advice.
- 3.25 The building comprises 24 large family sized rooms with en-suite shower cubicles. The property became available following the pandemic when the former provider sought alternative accommodation as the staffing costs for this relatively small care home became unattractive. The site is directly adjacent to the Langthorne Health Centre and opposite Avenue Road Estate on a relatively large footprint.
- 3.26 The property has been viewed by managers in the Housing Options and Support Service and is suitable for use as in-borough temporary accommodation for homeless households. This is on the basis that works are undertaken by the owner, at the owner's cost, to make the rooms self-contained i.e. the inclusion of private kitchenettes in each room. The Housing Options and Support Service would be responsible for all placements into the property.
- 3.27 The owners will be responsible for the submission of a planning application to the Local Planning Authority for change-of-use. Following this, they will finance and undertake the works required to ensure the rooms are self-contained with kitchenettes and are up to standard for temporary accommodation provision.
- 3.28 The proposed lease term for the property is three years, with an option to purchase the freehold at any point during these three years for a fixed price. The council will undertake a separate financial viability assessment when looking to exercise the option in the lease to acquire the freehold of the property.
- 3.29 It is proposed that the Waterside Lodge building will be directly managed by the council's Hostels team, which has extensive experience of effective and efficient management of the borough's existing hostels. Economies of scale can be achieved by incorporating into the Council's main repairs contract with Morgan Sindall Property Services (MSPS) for its general needs stock.
- 3.30 The business case for leasing this property for three years is based on the overall cost of leasing being less than that paid out by the council on commercial hotels. This traction also allows the council to fulfil a more strategic vision of acquiring an asset that can either deliver long term for the council as part of the adjacent Avenue Road Estate Regeneration programme or as a standalone delivery project should use as a temporary accommodation no longer be required.

- 3.31 As per the London Walthamstow Hotel proposal, leasing this accommodation enables the council to relatively quickly reduce the number of families living in shared accommodation, which is currently being predominantly being met by accommodation located outside of the borough.
- 3.32 The financial implications are available in Section 7 and in exempt Appendix C.

4. Options & Alternatives Considered

- 4.1 Do nothing - the alternative to not proceeding with these lease transactions would be to continue to house large numbers of households in shared accommodation, and to place households in costly commercial hotels. These are more frequently located within neighbouring boroughs due to lack of suitable supply within the borough. Continuing with the current position not only puts huge financial pressure on the Council but means more residents are placed out of borough.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

- 5.1 The proposals in the report complement the council's 'Mission Waltham Forest' priorities.
- 5.2 The borough missions set out priorities for families and children, which includes 'support for families within easy reach of home' and 'health equity and positive wellbeing at every age'. The delivery of new self-contained temporary accommodation homes within the borough provides a safe and secure home. Kitchen facilities within every room will enable families to live more independently and healthily. In addition, with these new rooms provided within the borough, families and children can remain close to existing local networks (work, schools, healthcare) and be supported closer to home by local support groups and the Council.
- 5.3 The proposals in the report support the borough mission to 'tackle the housing crisis head on' and to deliver on 'tackling homelessness and creating stronger and fairer communities' within the Council's Housing Strategy. Securing new secure, self-contained and locally connected temporary accommodation offers those who are homeless a stable living environment to allow people to get back on their feet and to receive the right support to find better more permanent housing in the long term.
- 5.4 The entering of these two leases supports the council's work to tackle the declared Climate Emergency. Both the London Walthamstow Hotel and Waterside Lodge and have EPC ratings of C. This indicates that both buildings are rated 69%-80% efficient. This is higher than some buildings currently used for temporary accommodation in the private rented sector or hostels, which often have EPC ratings of D.

Households moving into both Waterside Lodge and London Walthamstow Hotel are therefore less likely to experience issues with cold, damp and mould and thus reducing exposure to related health issues. Residents and staff of the buildings will be encouraged to use sustainable transport methods. To aide this, spaces for cycle parking will be provided on both sites.

- 5.5 As part of the negotiation of final lease terms, the council will use best endeavours to request the landlord and managing agent subcontractors provide evidence of their organisation's Climate Change / Carbon Reduction Strategies and commitments. If such documentation is provided and available, these documents would be monitored annually with evidence provided to the council as the client to demonstrate annual compliance along the carbon reduction trajectory.'

6. Consultation

- 6.1 Engagement with internal stakeholders including Portfolio Lead Member and ward councillors has been undertaken as part of the internal governance processes, including Informal Cabinet and Cabinet.
- 6.2 Both sites will be subject to formal land use planning process in relation to their change of use.

7. Implications

7.1 Finance, Value for Money and Risk

- 7.2 A full financial summary is outlined in exempt Appendix C.
- 7.3 The increasing cost of temporary accommodation is a significant pressure on the General Fund. The Housing Options service is forecast to overspend in 2024/25 which will be funded from a specific reserve in-year. The overspend is largely due to the cost of providing commercial hotels as temporary accommodation.
- 7.4 The Housing Options and Support Service predicts that the use of commercial hotels will be circa 210 units by the end of the 2024/25. Based on current trends, the service expects to require 221 units early in 2025/26.
- 7.5 While the collective net cost for the 245 self-contained rooms is expensive, it is significantly less than the cost of using commercial hotels, reducing the financial pressure within the General Fund by £4.5m per year. The revised financial pressure for 2025/26 is currently being remodelled.
- 7.6 The cost reduction of using the London Walthamstow Hotel or the Waterside Lodge Care Home will not be fully realised until 2025/26, as commercial hotels will be required until the leases are available to

accommodate households. However, there is likely to be a saving of circa £700k in 2024/25.

7.7 The new leases would be used to decant families from commercial hotels, however there is a risk that some rooms may remain empty for a longer period than anticipated. The current trend on numbers of households in temporary accommodation make this unlikely to materialise.

7.8 **Legal**

7.9 The council is legally bound to provide temporary accommodation to homeless households meeting criteria set out in the Housing Act 1996 as amended by the Homelessness Act 2002. Statutory Instrument No. 2601 'The Homelessness (Suitability of Accommodation) (England) Order 2012' requires authorities to take into account when providing temporary accommodation 'the significance of any disruption which would be caused by the location of the accommodation to the employment, caring responsibilities or education of the person or members of the person's household'.

7.10 In this context the acquisition of more temporary accommodation in the borough through these two proposed lease transactions could reduce the scope for successful legal challenges in relation to temporary accommodation placements.

7.11 The council has the power to acquire property for any of its functions under s120 Local Government Act 1972 and Section 1 of the Localism Act 2011 gives the council the power to do anything that individuals may generally do (the general power of competence) and the Council has the power under section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

7.12 In entering into the leases of the two sites the Council must ensure that it acts in accordance with the Property Procedure Rules.

7.13 **Equalities and Diversity**

7.13.1 An initial screening exercise of the equality impact of this decision was undertaken and determined that there was no negative impact on the Council's equality duty. The provision of more temporary accommodation in the borough will benefit homeless households, among whom affected groups are disproportionately represented.

7.13.2 The Screening Assessment is provided as Appendix D.

7.14 **Sustainability (including climate change, health, crime and disorder)**

7.14.1 Both buildings being leased have potential for energy efficiency improvements, to either an A or B EPC. However, this would require significant amounts of funding which is not available, and this accommodation needs to be used as soon as possible. Energy efficient

measures can be looked at for Waterside Lodge if/when the council decides to purchase the freehold.

7.15 Council Infrastructure

7.15.1 Unless otherwise stated as part of either acquisition's Heads of Terms, the proposals will be met within the existing council resources. This includes the Council's Hostels team taking on the management of the 24 rooms at Waterside Lodge.

Background Information (as defined by Local Government (Access to Information) Act 1985)

None