
REPORT FOR: CABINET

Date of Meeting: 15 March 2018

Subject: Redevelopment of the Vernon Lodge
Homeless Hostel Site

Key Decision: Yes

Responsible Officer: Paul Walker, Corporate Director of
Community

Portfolio Holder: Councillor Glen Hearnden Portfolio Holder for
Housing and Employment
Councillor Graham Henson Portfolio Holder
for Environment
Councillor Keith Ferry, Deputy Leader and
Portfolio Holder for Business, Planning and
Regeneration

Exempt: No, except for Appendix 1 to this report
which is exempt under paragraph 3 of
Schedule 12a of the Local Government Act
1972 (as amended) in that they include
information relating to the financial or
business affairs of any particular person
(including the Authority holding the
information)

**Decision subject to
Call-in:** Yes

Wards affected: All

Enclosures: None

Section 1 – Summary and Recommendations

This report seeks Cabinet approval for the redevelopment of the Vernon Lodge Homelessness Hostel.

Recommendations:

Cabinet is requested to:

1. grant approval for the redevelopment proposals set out in this report and to
2. delegate to the Corporate Director, Community, following consultation with the Portfolio Holder Environment , the Portfolio Holder for Housing and Employment and the Portfolio Holder for Business, Planning and Regeneration, authority to finalise the proposals set out in this report, including specifically:
 - (a) The awarding of a contract, in accordance with applicable procurement legislation, to a provider to undertake the required redevelopment works at Vernon Lodge (subject to obtaining any appropriate planning permission);
 - (b) To take advice as to which Council owned vehicle is the most fiscally appropriate for the subsequent asset management of Vernon Lodge; and
 - (c) To grant leases, including leases at less than best consideration, to an appropriate Council owned vehicle for the proper asset management of Vernon Lodge.

Reason: (For recommendations)

To ensure the Council fulfils its statutory responsibilities under the Homelessness Act 1996 and to maximise the use of the asset

Section 2 – Report

- 2.1 Harrow has a statutory duty under the Homelessness Act 1996 to provide accommodation for homeless households who either have dependant children, or have a serious physical or mental illness or disability (or certain other vulnerable applicants). The Homelessness Reduction Act 2017 which comes into effect in April 2018 will include responsibilities aimed at more preventative actions when dealing with those at risk of becoming homeless.
- 2.2 To fulfil its duty under the Act, Harrow has to provide emergency accommodation when a homeless applicant (in one of the priority categories) first approaches the Council whilst their application is being assessed. Emergency accommodation can be :
 - shared Bed & Breakfast hotel for a maximum of 6 weeks;
 - self-contained nightly paid accommodation (no time limit);
 - hostel accommodation (no time limit) ;

- 2.3 There is then the need to offer longer term temporary accommodation until a permanent housing solution, such as a private rented flat, can be offered. The longer term accommodation is made up of:
- Using some of our the Council's Housing stock as temporary accommodation;
 - Leasing accommodation from private owners which the Council then manages (PSL);
 - Properties the Council has purchased on the open market (PAP).
- 2.4 There is a Homelessness Strategy to which this report is linked as it covers the aspect of hostel accommodation and temporary accommodation.
- 2.5 The Council also has the objectives around maximising its assets and the redevelopment of the Vernon Lodge site would meet this objective.

3. Background

- 3.1 Vernon Lodge is the only homelessness hostel owned by the Council. The facility currently has 35 units providing 93 bed spaces. At January 12th 2018, there were 28 families in occupation and 4 voids. The Council has contracted Genesis Housing as Managing Agents at the site. The agreement is self-funding in terms of revenue costs.
- 3.2 The Council's obligation under the contract extends primarily to structural and lifecycle repair and maintenance issues which include responsibility for the structure, roof, windows, external pathways, fire alarms and generally those items that go towards extending the life of the building. These repairing obligations are discharged by the Corporate Landlord function in the Community Directorate. The Council has spent £123k on fire protection, DDA works and roof repairs since 2016. The roof, although water tight is in need of major repair/replacement and some capital funding has been allocated to do this.
- 3.3 However the Corporate Property and Sites Strategic review in 2016, which looked at all property owned by the Council and provide options for use, identified that there is the potential to redevelop the site and maximise the provision of facilities, thereby reducing the amount of Bed and Breakfast (B&B) usage. The redevelopment would need to be done on the basis that there is adequate decanting facilities, so that there is no loss of homelessness provision.
- 3.4 The Council spent circa £2.1m on B&B arrangements in 2016/17. This covered accommodation needs for an average of 240 residents for the year, with 170 families in B&B at the end of the year. However uncertainty around the requirements of the Homelessness Reduction Act as well as Brexit, adds a dimension of risk to these projections.

Any additional Council owned provision will support mitigating these risks.

4. Options considered

4.1 The options considered are:

- (A) **Do Nothing** – This option is not recommended because in this option the Council would still have to undertake major roofing repairs and there would be no opportunity to increase homelessness provision.
- (B) **Redevelopment of the site** - This option is recommended as it allows the maximisation of the asset to increase the homelessness provision while providing capacity to generate additional income to repay the cost of capital.

4.2 In progressing Option B the following were considered:

- Increasing the provision on the site so that up to another 107 families can be accommodated
- Creating differing accommodation types and configuration to have the flexibility to rent the units, should homelessness numbers decrease to the level that not all the provision is required for that purpose
- Re-negotiating the contract with the provider to accommodate the increase in the provision.

4.3 The Business Case in the Exempt Appendix sets out the detailed proposals and the relevant financial matters

5. Recommendations

It is recommended that **Option B** above is progressed in line with the consideration set out above

6. Risk Management Implications

Risk included on Directorate risk register? No
Separate risk register in place? Yes – as part of the Business Case
The inability to deliver homelessness within budget is included in the Corporate Risk register. The additional units to be provided in the redeveloped Vernon Lodge site will provide the space to house homeless families should they arise, and help to mitigate against this risk.

7. Legal Implications

- 7.1 The Housing Act 1996 places a duty on Local authorities (LAs) to provide accommodation for homeless households who either have dependant children, or have a serious physical or mental illness or disability (or certain other vulnerable applicants). The legislation is being amended by the Homelessness Reduction Act 2017, which may result in accommodation having to be offered to more applicants, but it will be some time before the comprehensiveness of those duties are clear.
- 7.2 As part of the project to redevelop Vernon Lodge Officers, will undertake a full procurement exercise in accordance with the Public Contract Regulations 2015 to engage a provider to carry out the works ensuring best value for the Council. The contract will then be awarded in line with the Council's Contract Procedure Rules.
- 7.3 It should be noted that the proposals for redevelopment of Vernon Lodge outlined within this Report are subject to the application and obtaining of the necessary planning consents.
- 7.4 Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposition is made for the best consideration reasonably obtainable. The General Disposal Consent of 2003 removes the requirement for authorities to seek specific consent from the Deputy Prime Minister and First Secretary of State ("the Secretary of State") for any disposal of land where the difference between the unrestricted value of the interest to be disposed of and the consideration accepted ("the undervalue") is £2,000,000 (two million pounds) or less.

8. Financial Implications

There is a total budget allocation of £11.049m (including £725k originally set aside for roof work) in the capital programme for the proposed redevelopment. The £11.049m Capital budget is split over following years; £725k 2017/18, £775k 2018/19, £8.225m in 2019/20 and £1.324m in 2020/21. The capital financing costs are estimated at £605k per annum. The Business Case in the Exempt Appendix provides a sensitivity analysis based on different scenarios of the number of homeless families being placed at the redeveloped site. It also sets out the net potential rental income from any surplus units which are over and above the requirement for homelessness, and hence how the cost of capital borrowing can be met. When the Revenue budget was set for 2018/19, it was set on the basis that the additional revenue income that will be generated from the redevelopment of Vernon Lodge, will cover the running costs of the

new facility and cover the capital financing costs of the £11.049m capital expenditure. Therefore, whilst the current revenue budget includes the Capital financing costs of Vernon Lodge it also assumed that there would be additional income received in the Community Directorate to cover these costs, so the proposal is cost neutral to the budget.

Table 6 in the Business Case shows an indicative net financial benefit of £384k to the Council based on 100 homeless families placed at the redeveloped site. This sum is not currently included in the MTFs, but will be reviewed as part of the next MTFs refresh process to establish if this can be used to contribute towards cost avoidance of homelessness and therefore as a mitigation against the corporate risk. It should, however, be noted that a number of external factors including market rent and B&B costs etc. could result in a variation to this estimate and this risk is held by the Community Directorate.

The Business case makes it clear that the rental of the units, should they not be used for homelessness will repay the cost of the capital. Additionally the use of Right to Buy receipts has been explored to support the aspects of the project, that deals with additionality of supply available for reducing homelessness. The use of Right to Buy receipts will reduce the capital project cost and hence the capital financing costs.

9. Equalities implications / Public Sector Equality Duty

The proposals described above do not adversely impact upon persons within the protected categories.

10. Council Priorities

This report incorporates the following administration's priority:

- **Protect the most vulnerable and support families-** improving and increasing the homelessness provision gives the Council more scope to support the vulnerable and families
- **Be more business like and friendly**
Providing additional and flexible units gives scope to earn rental income
- **Build a better Harrow**
Redeveloping the building that is in need of repairs, support the building a better Harrow agenda.

Section 3 - Statutory Officer Clearance

Name: Jessie Man	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 March 2018		
Name: Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 13 February 2018		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	NO
EqIA cleared by:	This is an existing service and no change is being projected in terms of delivery model.

Section 4 - Contact Details and Background Papers

Appendix 1- Business Case for the Redevelopment of Vernon Lodge

Contact: Venetia Reid-Baptiste
Tel: 020 8424 2492
Venetia Reid-Baptiste @harrow.gov.uk

Background Papers: None

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]