

Agenda Item 79.

TITLE	Crown House Lease
FOR CONSIDERATION BY	The Executive on Wednesday, 15 December 2021
WARD	Emmbrook
LEAD OFFICER	Director, Place and Growth - Steve Moore
LEAD MEMBER	Deputy Leader of the Council - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The purpose of this report is to receive Executive approval to enter a 5-year lease for Crown House, to use as longer-term temporary accommodation rather than short term nightly paid accommodation. The agreement will lead to an annual budget reduction of £163k from the current nightly rate being charged for these premises.

RECOMMENDATION

The Executive to:

- 1) approve the acquisition of a 5-year lease of the Crown House building, Toutley Road, Wokingham, at a cost of £275,000 per annum for the use as long-term temporary accommodation; and
- 2) note that there is an option to renew the lease in WBC's favour for a further 5 years, at the passing rent at the end of the initial term.

EXECUTIVE SUMMARY

This report seeks Executive Approval to enter into a 5 year lease for 24 units at Crown House, Toutley Industrial Estate, Toutley Road, Wokingham at a cost of £275,000 per annum which will be used for temporary accommodation. By entering the lease the Council will be able reduce the current nightly rate of £50 night to £32 a night which represents a considerable financial saving.

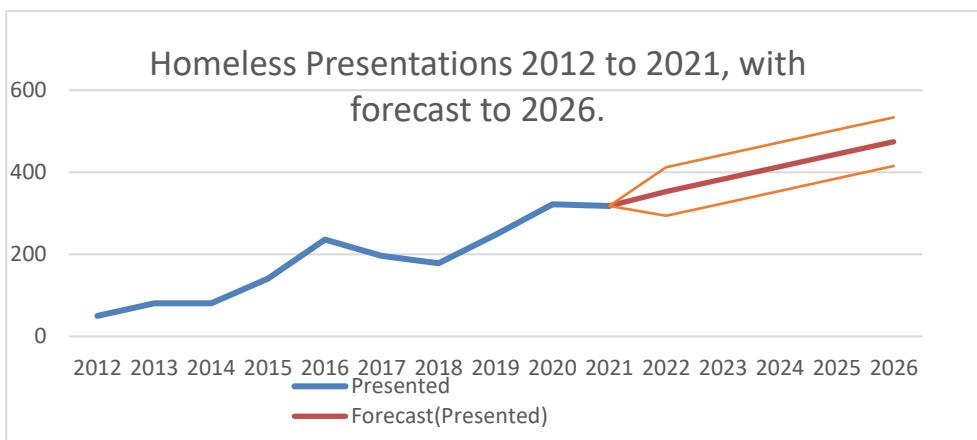
Background & Business Case

The Council has a statutory duty under the Homeless Reduction Act 2018 to provide temporary accommodation for applicants who approach as homeless or threatened with homelessness for 56 days whilst the application is investigated.

At present, the council does not have a framework of an agreed process for procuring temporary accommodation and therefore uses spot purchase to meet demand. This mechanism was viable when demand for temporary accommodation was low, and the Council did not need to use bed and breakfast accommodation.

Over the last eighteen months Homelessness demand has been steadily increasing, which has led to an increase in demand for temporary accommodation. The Council has had to resort to the use of expensive nightly paid accommodation which has led to budget pressures because of rising costs. Already the total spent on bed and breakfast accommodation between April 2021 and October 2021 is in excess £450, 000. This figure is estimated to continue to rise by around £80,000 a month. The current forecast for temporary accommodation is showing expenditure is likely to reach £1.2m by the end of the financial year.

The graph below shows an indication that Homelessness demand will continue to rise.



In view of the above it is imperative that long-term and financially viable solutions are found to address the rising cost of homelessness and temporary accommodation.

The Crown House Lease

The property at Crown House is a building with 32 units. 24 of these units are currently being used by the Council as night paid accommodation at a cost of £50 per night. Following discussions with the provider Equinox Ltd it has been agreed that the rate will be reduced to £32 a night if the Council enters a 5-year lease with them. This would deliver a reduction of £163,000 on current expenditure. There will be some associated expenses for voids and council tax which will be factored into the final lease.

The total cost of the Crown House lease agreed by property services is £275k per annum which equates to £1.375m over five years. The rent is subject to a 2024 rent review, a review based on the Consumer Price Index, but which cannot exceed 105% of the initial rent. There is then a further review after another 2 years (again with a 5%

cap). The Council currently pays £50 per unit per night for 24 units which equates to £438,000 per annum and would cost £2,190,000 over a five-year period.

The Council has also submitted a bid to the Government for a full-time post to offer support to clients housed at Crown House and have received indication verbally that funding will be agreed for 3-year full time post.

Commercial Property Comments

Property Services have been leading the final stages lease negotiations and have concluded that they are satisfied that the lease represents value for money and a good balance between the landlord and Council liabilities.

The proposed rental agreement provides a unique opportunity for WBC to rent 24 one-bedroom apartments in the same building. We are not aware of a similar rental opportunity in the wider Wokingham residential letting market, and if one were to become available, the landlord may reject renting the property to WBC funded tenants.

The agreed annual rent (which equates to £950.00 per month on a per unit basis) is at the higher end of the comparable evidence of one-bedroom flats in Wokingham area. WBC benefit however, by the landlord fully furnishing the flats and waiving dilapidation payments at the end of the 5 or 10-year term in regard to replacing furniture and wear and tear to kitchens and bathrooms. WBC are also making a considerable cost saving by agreeing a 5-year lease term compared to the current £50.00 per night per unit rental agreement.

From a property management perspective, the proposed transaction will allow WBC complete control over the building in regard to building management, health and safety and CCTV monitoring. The proposed lease also allows WBC to let the units on any terms it considers suitable for the needs of the tenants, which would not be a possible option from most private sector property providers.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£68,750	Yes	Revenue
Next Financial Year (Year 2)	£275,000	Yes	Revenue
Following Financial Year (Year 3)	£275,000	Yes	Revenue

Other Financial Information

There are no other financial implications anticipated as the cost of the lease will be funded from the existing temporary accommodation budget

Stakeholder Considerations and Consultation

There are no stakeholder considerations as this is an operational issue that will enhance the Council's ability to meet its statutory duties under homelessness legislation.

Public Sector Equality Duty

Due regard has been given to the public sector equality duty and the acquisition of the lease will ensure all applicants have fair and equal access to the accommodation at Crown House

Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030*

There is no adverse impact of the decision on the Council's Climate Emergency policy.

List of Background Papers

None

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