

**Report for:
ACTION**

Item Number:

Contains Confidential or Exempt Information	NO
Title	Cessation of use of Marston Court.
Responsible Officer(s)	Nicky Fiedler Strategic Director of Housing & Environment Email: FiedlerN@ealing.gov.uk
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Portfolio(s)	Genuine Affordable Housing
For Consideration By	Cllr. Bassam Mahfouz, Portfolio Holder for Genuinely Affordable Housing
Date to be Considered	6 December 2023
Implementation Date if Not Called In	18 December 2023
Affected Wards	North Hanwell ward.
Keywords/Index	Temporary Accommodation, Marston Court.

1 Purpose of Report:

To meet the challenges of providing temporary accommodation to households the Council entered arrangements to provide temporary accommodation in 2016 at two sites: Meath Court, South Acton and Marston Court, North Hanwell. The modular units were leased through a direct engagement between the Council and QED in 2016 and opened in 2017.

- 1.1 At the time of their installation the modular units were an innovative solution to the challenge of the housing market and the lack of local housing supply. The modular buildings were expected to offer a range of benefits to the Council in addressing local housing need, as well as reducing the costs of accommodation when compared to bed and breakfast provision. The Council, like other local authorities, provided accommodation through this method.
- 1.2 The Council has a very clear objective to deliver safe and genuinely affordable homes for our residents. Through the experience of using the units over a number of years, the quality of the units at Meath and Marston Court is not in line with the standard of accommodation that the Council wishes to provide. This report sets out the background to the recommendation to cease using Marston Court for the provision of temporary accommodation earlier than the lease end date of the 6 April 2027.

2 Recommendations for DECISION

2.1 It is recommended that Cabinet:

2.2 Authorises the Strategic Director Housing and Environment to cease the use of the units at Marston Court as temporary accommodation.

2.3 Authorises the Strategic Director Housing and Environment to:

- a. Continue decanting residents out of Marston Court.
- b. To negotiate and finalise with QED a solution for the future of Marston Court that better meets the council's developing temporary accommodation strategy, including (should it be possible to reach agreement in that regard) the early surrender of the lease of Marston Court.
- c. If the negotiations to surrender the lease are not successful, to utilise the units for an alternative purpose other than accommodation until the end of the lease.
- d. To investigate alternative housing options for the current residents of Marston Court.
- e. Identify funding options to meet the additional financial burden of closing Marston Court, where other funding options cannot be identified these one-off costs will be met from reserves.

3 Recommendations for NOTING

3.1 None.

4 Reason for Decision and Options Considered

4.1 This report seeks approval from Cabinet to end the current lease agreement, subject to QED agreement. The lease for Marston Court ends in April 2027 and the proposal is to seek to end the lease early following the decommissioning of the service being completed.

4.2 The options that have been considered include:

- (i) Continue as is

This option has been discounted because Marston Court does not meet the standard of the temporary accommodation that the Council wishes to provide.

- (ii) Vacate the accommodation and leave empty

Although Marston Court could be left empty until the end of the lease, the Council would continue to incur costs for securing the units in addition to the rental payments. For this reason, this option has been discounted.

(iii) Re-purpose for different use

Opportunities are being considered for re-using the units for a different purpose, including accommodation at a different location through local charities or supporting local businesses and ventures. Where this is possible, this may help to reduce the cost of the units.

(iv) Exit the lease agreement early and return the units

The recommended option is for the Council to try to exit the lease agreement and decommission the site. This could be implemented at the same time as pursuing the alternative use of the site with local partners as outlined in (iii). However, if it is not possible to negotiate acceptable terms then one or more of the above options will need to be explored.

5 Recommendation:

- 5.1 The proposal is to take forward Option IV. If this is not possible because the Council is unable to reach agreement with QED, it is recommended that the Council pursues Option III if the latter is viable and there is sufficient interest. It is proposed that the Strategic Director Housing and Environment is authorised to stop the use of the units at Marston Court as temporary accommodation and authorised to negotiate the early surrender of the lease or to utilise the units for a different purpose.
- 5.2 The quality of the accommodation and value for money considerations have been considered when making this recommendation.

6 Key Implications

- 6.1 The key implications arising from this recommendation include:
- The proposed decision to negotiate ending the lease agreement earlier than the expiry date will lead to the decommissioning of this service.
 - This decision is being taken because this type of modular building does not meet the needs of local people and meet the Council's strategic objective to deliver good quality accommodation. A revised temporary accommodation strategy is being implemented to address this need.
 - Residents currently living at the site will be secured alternative accommodation through the Council, and communication with residents will happen on a regular basis.
 - As a result of ending the lease agreement early, the cost to the Council will be the annual rental cost of the units until the lease ends whilst not receiving a rental income for the units. This is £1.053m between January 2024 and April 2027.
 - There is no break clause within the lease agreement to enable the Council to return the Marston Court units earlier than April 2027.
 - Alternative options for utilising the modular buildings are being pursued and where this can be achieved this may reduce the financial impact to the General Fund.

7 Background to the provision of the Accommodation at Marston Court

- 7.1 The Council entered arrangements to provide temporary accommodation in 2016 at two sites: Meath Court, South Acton and Marston Court, North Hanwell. The modular units are leased through a direct engagement between the Council and QED in 2016 and opened in 2017.
- 7.2 At the time of their installation the modular units were an innovative solution to the challenge of providing bed and breakfast accommodation by councils. In addition, the modular buildings were expected to offer a range of benefits to in addressing local housing need, including speed of provision, reduced costs over the life of the lease when compared to bed and breakfast provision and supporting flexibility of provision within the borough. The Council, like other local authorities, provided accommodation through this method.
- 7.3 The units were placed on derelict sites which were earmarked for permanent homes and developments in the future. The units were also designed so that they could be moved to other sites when the developments commenced on the sites and the land was no longer available for this purpose.
- 7.4 Initially the use of the units was intended to identify the benefits and disbenefits of using this form of accommodation in place of bed and breakfast. The units were aimed at smaller households and are a mixture of studio, 1 bed and 2 bed accommodation.
- 7.5 At Marston Court there are 34 units comprised of:
- 10 studio flats.
 - 16 one-bedroom flats.
 - 8 two-bedroom flats.
- 7.6 It is generally acknowledged that there are limitations associated with heavily modified shipping containers, including the design, layout and the materials used. In addition, residents are not always satisfied with the design and quality of the provision.
- 7.7 The experiences at Meath and Marston Court have helped shape the revised temporary accommodation strategy being developed. The strategy will help ensure that the Council can provide the volume and quality of properties that the Council needed to respond to the demands placed upon its services.
- 7.8 Through experience of using the units over a number of years the quality of the units at Meath and Marston Court is not in line with the standard of accommodation that the Council wishes to provide. As a result, the Council will not renew the lease at Meath Court following the expiry date of the lease (28 June 2024) with residents leaving earlier to enable the dilapidations at the site to be agreed with the supplier. The lease at Marston Court ends in April 2027 and an early exit can only take place with agreement from QED as there is no break clause that can be used.

7.9 Ceasing use of Marston Court as temporary accommodation is one element of the strategy for the Council's provision of temporary accommodation and its target to deliver safe and genuinely affordable homes.

8 Temporary Accommodation Strategy - Context

8.1 London is in the midst of a severe housing affordability crisis driven by changes in the private rent sector (PRS) which include a significant reduction in the availability of accommodation and increasing rents which impact on the ability to procure such accommodation for use as temporary accommodation.

8.2 Within the report on Private Rented Sector Accommodation in London (July 2023) by LSE Consulting and Savills, there are some key figures that show that there has been a reduction in 1 to 4 bed properties by 41% since 2017, 1 to 3 bed property availability has reduced by 36% since the pandemic and asking rents were c. 20% higher compared to March 2022.

8.3 The researchers also noted that for the 300,000 households in London who are reliant on the Local Housing Allowance (LHA) are suffering from the rates being frozen and this has reduced the number of properties that are affordable. These have reduced from 18.9% of available properties being affordable in 2020/21 to only 2.3% in 2022/23.

8.4 What this has meant for London, and Ealing, is that the number of private rented properties available for use as temporary accommodation is reducing, increased mortgage rates impact on the levels of rent and the need to increase incentives. This also means that tenants in the private rented sector cannot purchase and are therefore remaining in properties for almost double the length of time which again also reduces availability of properties. They are also experiencing increasing rents which may push some below the poverty line and unable to pay their rent, and so end up as homeless.

8.5 The wider shortage of social housing means that securing PRS accommodation is one of the very few options for prevention and relief of homelessness with a resulting crisis in temporary accommodation with numbers presenting as homeless increasing, and the inability for councils to procure temporary accommodation or move them out of current temporary accommodation into settled accommodation. London Councils estimates that 166,000 Londoners are homeless and living in temporary accommodation arranged by their local borough which is equivalent to a city the size of Oxford needing a home.

8.6 As a result of the above factors, there are currently c2,700 households in temporary accommodation in Ealing.

9 Approach to the Temporary Accommodation Strategy

9.1 The sections below detail the medium- and long-term projects that form part of the strategy to increase the supply of temporary accommodation.

- *Empty Homes / Voids* - Use some of the longer-term empty homes and provide adapted / extended accommodation meeting the specific needs of

any high cost, high need residents to both reduce the negative impact on them and reduce the high cost that some of this accommodation incurs.

- *Large Scale Acquisition* - Review the market to see if there are any blocks available to acquire (either lease or acquisition) to provide more temporary accommodation units for use by the Council. Work is already underway, and competition for the sites will include other London Boroughs as they seek to secure temporary accommodation through this route.
- *Leasehold Buy Backs* - There is also an opportunity to acquire ex Right to Buy (RTB) properties from leaseholders within some of the Council regeneration schemes who have expressed a desire to sell.
- *Meanwhile Sites* - A longer-term option is to liaise with regeneration and look at any opportunities to use some of the sites for meanwhile use for delivery of new style modular housing that incorporates the learning from the design and management of these sites.
- *Regeneration Buy Backs* - Another longer-term option being assessed is acquiring properties on regeneration schemes where a leaseholder may have approached us.

9.2 A revised temporary accommodation strategy provides the opportunity for the Council to invest in properties to address the demand being placed on the Council and help reduce the costs and improve the quality associated with this accommodation.

10 Financial

10.1 There are costs associated with the lease at Marston Court that would have been incurred regardless of when the lease was ended, these include: lease payments and dilapidation costs.

10.2 The costs arising from ending the Marston Court lease early and moving residents out are related to the payments being made to the supplier and not receiving a rental income to cover the lease costs, whilst the units are empty.

10.3 The rental payments due to the supplier between January 2024 to April 2027 (when the lease ends) would be a total of £1.053m. Should these continue to be paid and alternative use not identified, the costs of the lease, or the costs of any termination payment, will need to be met from reserves.

10.4 There will be costs to relocate households however given the market pressures and context set out in this report these are not currently known.

11 Legal

11.1 As set out in the body of the report there is no break clause in the lease of Marston Court so any early surrender will have to be agreed with QED.

11.2 Residents of Marston Court were accommodated pursuant to homeless duties under Part 7 of the Housing Act 1996. If either Options (ii), (iii) or (iv) are pursued, in cases where the homeless duties are ongoing, suitable alternative

accommodation will need to be provided to those residents. For those residents who do not move voluntarily, legal proceedings will need to be commenced to secure vacant possession and enable a move.

- 11.3 Any delays in securing vacant possession of these properties as a result of legal proceedings will have an impact on the overall cost of the project. Those residents who are owed the homelessness duty and who must be moved to suitable implications may refuse offers of alternative accommodation. If the homeless duty is ceased as a result of such a refusal, the resident will be entitled to seek a review of that decision under s202 of the Housing Act 1996 and ultimately appeal to the county court pursuant to s204 of the Housing Act 1996. There is a risk that this could result in any possession proceedings to secure vacant possession being stayed, pending the outcome of an appeal. Residents may defend possession proceedings on public law grounds, which can also lead to a delay in the progress of court proceedings. Delays in moving residents on could affect the date on which the Council can exit the Marston Court lease. In respect of the Meath Court lease officers will need to ensure there is sufficient time to secure vacant possession of the units.

12 Value For Money

- 12.1 Ending the lease early will lead to a loss of income whilst payments are made to the supplier, however the improved provision of accommodation to the households currently living at Marston Court will be of benefit to the local community.

13 Sustainability Impact Appraisal

- 13.1 There are no direct sustainability impact appraisal implications for this decision.

14 Risk Management

- 14.1 The risks associated with the ending of the leases and managing the sites before and after they are vacated have been identified and form part of the project plan that is being implemented. The risks will be reviewed during the operational management meetings.

15 Community Safety

- 15.1 Ending the lease arrangement for the two sites will improve the safety of the communities in the area once the units have been removed the site.

16 Links to the 3 Key Priorities for the Borough

- 16.1 The Council's administration has three key priorities for Ealing. They are:
- Fighting inequality.
 - Tackling the climate crisis.

- Creating good jobs.

17 Equalities, Human Rights and Community Cohesion

17.1 None.

18 Staffing/Workforce and Accommodation implications:

18.1 None.

19 Property and Assets

19.1 This report relates to the ending of a lease agreement for the provision of modular build properties at Marston Court.

20 Any other implications:

20.1 None.

21 Consultation

21.1 Lead Member of Genuinely Affordable Homes

22 Timetable for Implementation

22.1 The implementation of this initiative will commence following agreement and the arrangement with the supplier concluded after vacant possession has been achieved.

23 Appendices

23.1 None.

24 Background Information

24.1 None.

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Nicky Fiedler	Strategic Director Housing & Environment	25/10/23	26/10/23	Throughout the paper
Alice Rowland	Legal Services			Throughout the paper
Russell Dyer	Assistant Director, Accountancy Finance	XX/XX/23	XX/XX/23	5. Financial
Cllr Bassam Mahfouz	Cabinet Member for Genuinely Affordable Homes	02/11/23	XX/XX/23	Throughout the paper
External				

Report History

Decision type:	Urgency item?
Key decision	No
Report no.:	Report author and contact for queries:
	Jon Maxwell, Assistant Director Housing Management