

Homes and Neighbourhoods Directorate  
222 Upper Street, N1 1XR

Report of: Corporate Director of Homes and Neighbourhoods

Urgent Officer Key Decision: Notwithstanding anything in the Council's Constitution, the Chief Executive, Corporate Directors, and the Chief Finance Officer shall be authorised to take decisions where the matter is urgent unless this is prohibited by law.

Date: 23 February 2024.

Ward(s): All electoral wards

**APPENDIX 1 TO THIS REPORT IS EXEMPT FROM PUBLICATION**

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## Subject: Provision of Accommodation for single homeless people – St. Johns Mansions, Clerkenwell, Islington 19 properties

**Reason for urgency:** The external grant funding for this project to provide 19 x self-contained studio properties for homeless people has been allocated within the current financial year and it is necessary for the Council to enter into a building contract to receive the funding before the middle part of March 2024 to enable the modernisation scheme to be completed before the 31<sup>st</sup> March 2025, to enable 100% of the available capital and revenue funding provided to Islington Council to be secured. It is therefore not possible for the 28-day statutory notice to be issued or for this decision to wait for future meetings of the Executive and full Council. The urgency provisions in the Constitution are being used to ensure that the project can proceed. In addition to this the Council has been unable to publicise this project or funding due to an embargo placed on councils by the grant funding providers.

The Council has been allocated £2,538,000 of capital funding and £1,694,512 of revenue funding to provide 19 x self-contained studio properties located at St. Johns Mansions, Clerkenwell for people who are homeless and sleeping rough.

**Proposed decision date: 4 March 2024.**

# 1. Synopsis

- 1.1. The three aims of the report are to seek approval to:

Accept the £2,538,000 of capital funding to modernise St John Mansions, which has been empty for over 5 years to provide 19 x self-contained studio properties for people who are homeless.

Accept the £1,694,512 of revenue funding to provide 24 hours a day 365 days a year support for residents living at this new scheme.

Borrow £2,146,000 through the Housing Revenue Account to supplement the capital grant funding of £2,538,000 to enable St Johns Mansions to be modernised.

- 1.2. The council is only able to secure funding under the various funding streams made available by Central Government and the modernisation of St Johns Mansions to provide 19 x self-contained studio properties cannot be allocated to wider housing needs and the funding must be directed to homeless people. A key condition in terms of obtaining the grant allocations was making 50% of the units available to the North London Housing Partnership for the period of the revenue grant availability.
- 1.3. The refurbishment is estimated to deliver General Fund savings (or a reduction in overspend) of; £25k per year in the first 3 years increasing to £47.5k per year with effect from the 4th year when all units revert to Islington (based on the standard net cost of housing TA clients). If the increasing demand led to us needing to secure hotel accommodation the potential General Fund saving (or reduction to overspend) increases to £470k per year in the first 3 years, potentially increasing to £892k per year with effect from the 4th year when all units revert to Islington.

## 2. Recommendations

- 2.1. To approve the borrowing of £2,146,000, within the Housing Revenue Account to supplement the grant funding to enable the council to modernise St. Johns Mansions to provide 19 x self-contained studio properties for people who are homeless.
- 2.2. To approve receipt of the capital funding of up to £2,538,000, to agree to enter into the grant agreements and to commence the modernisation of St Johns Mansions in Islington to accommodate homeless households.

- 2.3. To approve an increase to the HRA capital programme budget provision in 2024-25 totalling £4,684,000.
- 2.4. To accept the revenue funding totalling £1,694,512 to provide 24 hours a day 365 days a year support for the 19 x self-contained studio properties and to enter into the grant agreement for this funding.
- 2.5. To approve the contents of the grant acceptance letter attached as Exempt Appendix One.
- 2.6. To procure Quinn London Limited (QLL) to undertake the main works via a direct appointment call-off from Lot 1 of the New Build Construction and Refurbishment Works Contractor Framework, subject to value for money analysis and receipt of quotations within available budget.

### 3. Background

- 3.1. Islington Council is currently accommodating 1,174 homeless households who are living in temporary accommodation. This is the highest level of households living in temporary accommodation since records began due to a combination of the cost-of-living crisis, the housing crisis, and the financial fallout of Brexit. This increase represents a 18% increase in the use of temporary accommodation in the last 12 months and this increase is placing significant financial pressure on the council.
- 3.2. During the last 12 months, Islington Council has witnessed an increase in homeless households living in temporary accommodation from 990 homeless households to 1,174 an increase of 184 homeless households.
- 3.3. London has a proud history of providing support and accommodation to those in need and the Mayor of London has made it clear that he wants to do everything in his power to eliminate rough sleeping and end homelessness to provide a better future for all people living on London. These values are also at the heart of the work performed by Islington Council.
- 3.4. Equally, Islington Council has a long and proud history of offering innovative housing solutions to people in need, and therefore stands ready to help all homeless people in every way we can.
- 3.5. Homeless households are now spending longer periods of time living in temporary accommodation due to the reduction of available council and housing association lettings, again because of the effects of the cost-of-living crisis, the housing crisis and Brexit with homeless presentations increasing by 18% in the last 12 months. In addition to this the number of homeless households living in temporary accommodation continues to increase.

- 3.6. Islington Council accepts the provision of 19 x self-contained studio refurbished flats located at St Johns Mansions, Clerkenwell, Islington, will not the address all urgent needs. However, these properties will ensure homeless people have safe and secure accommodation locally in Islington to help with health improvements, build community cohesion, and reduce the time spent in expensive and inappropriate private sector temporary accommodation.
- 3.7. The modernisation of St Johns Mansions to provide 19 x self-contained studio flats will ensure homeless households are provided with excellent quality accommodation locally in Islington to enhance the life chances of these people.
- 3.8. The current crisis underlines the importance of this funding. But it is not only needed for those in expensive emergency temporary accommodation because of homelessness and the financial effects of the cost-of-living crisis. It is also required to provide longer-term homes for those who need, to live in Islington for employment reasons or to provide or receive support from family and friends.
- 3.9. The aim of the programme is to boost delivery of affordable accommodation for homeless households in Islington.
- 3.10. Islington Council will co-design and implement an Operational Management Plan in partnership with Homeless Link, learning from national best practice examples.

## 4. Implications

### Financial Implications

#### 4.1. Summary

St Johns Mansions 308 St Johns Street EC1V 4NX is owned by the Housing Revenue Account. The building containing 19 units was previously leased to One Housing and returned to London Borough of Islington around 5 years ago. Dilapidations of around £250k were paid at the time to allow for a basic refurbishment of for example replacement kitchens/bathrooms & boilers. The building is not considered habitable in its current condition.

The estimated refurbishment cost that includes a reconfiguration and modernisation of the building totals **£4.684m** (includes 12.5% contingency and 10% fees).

The financial viability modelling used for the purposes of the grant bid indicated that a break even NPV position was achievable over 30 years based on; a 6% discount rate, a capital investment (HRA borrowing) of **£2.146m** (46%) and a grant of **£2.538m** (54%).

The refurbishment is planned to create 19 self-contained studio flats for temporary accommodation for homeless clients. In the first 3 years the client group will have high needs aligned to the revenue grant funding (referred to below) after which the expectation is that the building will be made available to homeless clients that do not require additional support funding.

The capital grant terms require properties supported by capital grant to be made available for 30 years to avoid the risk of Capital Grant claw back.

The grant funding arrangement requires the Authority to make available 50% of these flats to 5 other Boroughs that form part of the North London Housing Partnership (NLHP), limited to the 3-year period that the Revenue support grant applies.

The 5 other Boroughs are Barnet, Haringey, Enfield, Westminster & Camden.

A key condition in terms of obtaining the grant allocations was making 50% of the units available to the NLHP.

In addition to the HRA Capital grant, General Fund Revenue Grant funding to support the needs of this client group in the sum of **£1.695m** payable over 3 financial years WEF April 25.

#### 4.1.1. **Grant funding and delivery time scales**

Target completion date is 31<sup>st</sup> March 2025.

However, it is anticipated that the scheme will take a minimum of 12 months to complete with a more realistic time frame being 15 months.

It is therefore very likely that we will NOT meet the March 25 target date.

The funder has advised that 75% of the grant is payable when the scheme “starts on site” and that if the scheme completion is delayed beyond the target date of March 25 a revised target date can be negotiated allowing for a further 20% of the grant to be paid.

The balancing 5% of grant funding will be lost if the March 25 date is not met. The lost grant would amount to £126.9k, which could be met from HRA contingency or would give rise to a relatively small increased cost of borrowing in the sum of £7.6k per year.

#### 4.1.2. **Impact on the GF Revenue Grant Funding if the scheme is delayed beyond March 25.**

The full 3 years of Revenue Grant funding is only available if the service commences WEF April 25, the funding ends as of 31<sup>st</sup> March 2028. If the scheme completion is

delayed by for example 6 months to 31<sup>st</sup> Aug 25 then the revenue grant funding would be reduced by 6 months from £1.695m to £1.413m and the subsequent support would be made available to the clients for 2 ½ years not 3 years.

#### **4.1.3. Implications arising from allocating 50% of the properties to other Boroughs that are part of the NLHP.**

The Director of Housing Operations has advised that all partnering Boroughs will be required to sign up to a memorandum of understanding (MOU) which will make clear that the high needs homeless clients placed in St Johns Mansions remain the responsibility of the originating Borough and that when the Revenue Grant funding comes to an end the clients will be returned to their originating Boroughs.

The Director of Housing Operations has also advised that the allocation of 50% of places to the NLHP comes to an end when the Revenue Grant funding ends at which point all 19 temporary accommodation flats revert to Islington Council.

In the event of costs rising beyond the Revenue grant, the MoU will also require the respective Boroughs to meet the financial deficit or take their respective clients back into their own provision.

Finally, it should be noted that there is a risk that these high needs cases from other boroughs place significant demands on other non-housing services in Islington for the duration of their stay in the borough, such as Public Health, Adult Social Care, and CSSR. It is not possible to quantify these costs.

#### **4.1.4. Selling vs Refurbishment and delivering on GF savings**

The alternative to refurbishing this building would be to sell the site and for this receipt to contribute towards the £25m required to balance the new build programme. In its current condition its estimated value is £3m-£3.5m.

The refurbishment funded by HRA borrowing and grant funding is estimated to deliver GF savings (or a reduction in overspend) of; £25k per year in the first 3 years increasing to £47.5k per year WEF the 4<sup>th</sup> year when all units revert to Islington (based on the standard net cost of housing TA clients). If the increasing demand led to us needing to secure hotel accommodation the potential GF saving (or reduction to overspend) increases to £470k per year in the first 3 years increasing to £892k per year WEF the 4<sup>th</sup> year when all units revert to Islington.

#### 4.1.5. **Rent Setting & Tenure Type**

The Director of Housing Operations has advised that the grant funder has agreed that rents can be set at up to 80% of market rent.

The balanced financial viability model is currently based on the 0-1 bed LHA rate £295.49 per week, the latest assessment of estimated relevant market rent suggests that 80% of market rent is likely to be in the region of £355.00 - £393.00 per week.

The properties will be let under licence in accordance with homelessness legislation.

#### 4.1.6. **Impact on Capital & Revenue Budgets**

**An increase to the HRA capital programme budget provision is required in 2024-25 totalling £4.684m.**

This will be financed by £2.538m of grant & £2.146m of borrowing.

It is anticipated that the cost of borrowing will be covered by the additional net rent collected & as such be cost neutral to the HRA.

An increase to the HRA annual revenue budgets will also be required as follows – on average: (with effect from 2025/2026)

Housing Management & Responsive Repairs £159k

Major Repairs £35k

Interest Charges (fixed maturity) £129k

Rent (£362k)

NET (£39k) transfer to reserves which will attract interest earned on balances.

The monies set aside in reserves plus the interest earned on balances will make a significant contribution to redeeming the majority of the debt outstanding at year 30.

In addition, an increase to both the GF Revenue expenditure and grant income budgets of £565k per year for 3 years is required.

The impact of reductions to budgets arising from potential TA savings will be monitored during the course of 2025-26.

#### 4.2. **Legal Implications**

4.2.1. The Council may meet housing need by acquiring, converting, altering, or improving properties within Islington (section 9 of the Housing Act 1985).

S208(1) of the Housing Act 1996 provides that as far as reasonably practicable the

Council shall secure accommodation within Islington for people who are homeless or under threat of homelessness. The modernisation programme to provide 19 self-contained studio properties will increase the availability of accommodation within Islington that the Council can use to meet this statutory duty.

S213(1) of the Housing Act 1996 provides that where the council receives a request from another authority to assist them with the discharge of their homelessness functions, the council must co-operate in providing such assistance as is reasonable in the circumstances. The DLUH&C's Homelessness Code of Guidance sets out that this could be appropriate where a housing authority is able to provide accommodation to meet special housing needs and councils are encouraged by the Government to enter into co-operative arrangements. The bid for funding was based on the proposal that 50% of the temporary accommodation within St Johns Mansions would be provided to the council's homeless applicants and the remaining 50% would be provided to applicants from other NCL boroughs, whilst revenue funding remains in place. It is proposed that referring NCL boroughs will be asked to enter into an MOU, making it clear that the temporary accommodation at St Johns Mansion will be provided by the council under s213(1) and the statutory homeless duties owed to the referred applicants will be retained by the referring borough.

The report seeks authority to receive the capital and revenue grants. The council will not need to enter into further contracts for this project.

The recommendations in the report will lead to a £4,684,000 growth in capital which is not currently included in the capital programme budgets. If it is necessary to extend the value of the whole capital programme by more than £1,000,000, to accommodate this growth, then the decision will need to go to Council. However, if the total value of the whole Capital Programme is not increased by more than £1M, then the Executive can make the decision.

The report at paragraph 2.6 seeks authority to procure Quinn London Limited (QLL) to undertake the main works via a direct appointment call-off from Lot 1 of the New Build Construction and Refurbishment Works Contractor Framework, subject to value for money analysis and receipt of quotations within available budget. The total estimated building works are valued at £4.684m which is below the threshold for application of the Public Contracts Regulations 2015 (the Regulations) for works contracts (currently £5,372,609). However, such contracts need to be procured with due regard to the principles of equal treatment, non-discrimination and transparency that underpin the Regulations. The council's Procurement Rules also require contracts of this value to be subject to competitive tender. The procurement of QLL as stated will be compliant with the principles of the Regulations and the council's Procurement Rules.



### **4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

- 4.3.1. Modernizing St Johns Mansions to provide 19 x self-contained studio flats will contribute positively to the council's environmental commitment, by modernising existing properties and improving/reducing the carbon outputs through the capital works programme and reducing the use of natural resources.

### **4.4. Resident Impact Assessment**

- 4.4.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.4.2 S149(3) provides that having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 4.4.3 This work will contribute positively to the council equality of opportunity principles, the Human Rights of individuals and the elimination of rough sleeping in Islington.
- 4.4.4 A Resident Impact Assessment was completed on the 14<sup>th</sup> of February 2024 and is attached to this report as Appendix two.
- 4.4.5 As a public authority, the council must take account of the provisions of the Human Rights Act 1998 and not act in a way, which is incompatible with a Convention right. Under Article 8, any interference with the right to respect for a person's private and family life and home must be proportionate and Article 14 requires that there must be no unjustified discrimination within the scope of human rights on any grounds, such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth, or other status.

## 5. Reasons for recommendations

- 5.1. To assist the council's commitment of ending homelessness in Islington whilst concurrently ensuring a robust humanitarian response to eliminate rough sleeping.
- 5.2. The council have established a project team to ensure this programme can be delivered. The project team provide regular weekly update to track performance and ensure a corporate approach is adopted.
- 5.3. The council have considered all options to deliver this programme and we have concluded the most appropriate framework to deliver this modernisation project is the existing framework.
- 5.4. The council considered partnering with a Registered Social Landlord to deliver this programme, but this would not offer greater benefits compared to the business-as-usual model.
- 5.5. The council will shortly be commencing a communications plan to provide positive publicity for this work.
- 5.6. The report supports the delivery of the Housing Strategy and the Homelessness Prevention and Rough Sleeping Strategy. This report is collectively owned by our public, private, and voluntary sectors, to tackle Islington's biggest housing challenges.
- 5.7. Islington is proud of being a welcoming council that celebrates its diverse communities. We want Islington to be a more inclusive and equal and will be designing these principles into everything we do. Many of the challenges facing Islington affect people differently and will require tailored solutions to ensure the needs of all our residents are met. Therefore, the contents of this report will clearly support this key principle.
- 5.8. We will constantly review whether what we do, and how we do it, is the best way to deliver modern, efficient, and high-quality services that support residents to live independently, and to thrive. This report clearly supports this principle.
- 5.9. It is essential to ensure a mature project and programme delivery capability is deployed to deliver this important property purchase programme with regular reports produced for the benefit of elected members to help monitor our work. Consequently, monthly reports will primarily focus on the council's performance, looking at progress on actions and key performance indicators for what the council is responsible for delivering against each outcome relating to this modernisation programme. Frequent performance reporting will help to inform better delivery planning, and where necessary we will make changes if improvement is required

or to respond to emerging challenges and opportunities. These reports will be considered monthly at the Housing Directorate Delivery Board and the monthly Homes and Neighbourhoods Political Leadership Meetings.

- 5.10. The council is committed to collaborating with all residents and partners to deliver this important programme.
- 5.11. The programme constraints do not allow sufficient time to carry out a competitive procurement process for the selection of a main contractor to undertake the works.
- 5.12 QLL have been identified as a suitable contractor with whom LBI may open negotiations with a view to entering into contract via a Direct Award. QLL acted as main contractor on the Stacey Street refurbishment project, completed in 2022. Whilst completing these works, QLL demonstrated the capacity to deliver high quality refurbishment works at a sensitive site and within a similarly challenging delivery timescale. QLL have already been engaged and are providing initial advice to ensure the deliverability of the proposals, incorporating the experience and lessons learned from Stacey Street. Appointment of QLL would be subject to a value for money assessment within the budget.
- 5.13 By procuring through a Direct Award, the tender, tender analysis, and mobilisation periods can be condensed to increase the chance of delivery in line with the target programme. Additionally, further early contractor engagement can take place to maximise the deliverability of proposals and support the identification and management of project risks. A Direct Award is allowed under the call off conditions of the New Build Construction and Refurbishment Works Contractor Framework and the procedure includes open-book pricing and preliminaries, overheads, and profit limits to enable the council to assess and ensure that costs represent value for money.

**Appendices:**

Exempt Appendix 1 – Grant acceptance letter  
Appendix 2 – Equalities Impact Assessment

**Background papers:**

None

## 6. Record of the decision

I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

**Authorised by:**

**Acting Corporate Director of Homes and Neighbourhoods**

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