

East Herts Council – Officer Delegated Decision

Date: 20th May 2025

Report by: Jonathan Geall, Director for Communities

Report title: Contract to lease five self-contained properties in Hertford for use as temporary accommodation

Ward(s) affected: Hertford Castle

Summary

On 5th March 2019, Council approved the latest statutory Homelessness and Rough Sleeping Strategy. This strategy identified *that 'there are limited temporary accommodation options within East Herts for households who require accommodation in an emergency. As a result households often need to be accommodated within Bed and Breakfasts that are located outside of the East Herts area, away from their existing networks. There is a need for more suitable temporary accommodation options within East Herts... (because) suitable local temporary accommodation can minimise the negative effects of homelessness, before longer term accommodation can be found'*. Council approved the resulting action, *'to review the supply of suitable temporary accommodation within East Herts to ensure sufficient supply'*.

Acting in pursuit of this action within the East Herts Homelessness and Rough Sleeping Strategy, the Director for Communities is using authority delegated in the council's Constitution in relation to contracts and property to *'acquire, dispose of, let and licence' property (paragraph 10.6.1.2) to 'procure and/or manage temporary accommodation in pursuance of the council's homelessness duties and powers' (paragraph 10.16.2) and thus enter into a five year contract to lease five self-contained flats in Hertford town centre for use as high quality temporary accommodation located within the district and reduce, or avoid increases in, bed and breakfast use.*

RECOMMENDATIONS FOR DECISION: That the Director for Communities, acting on behalf of East Herts Council:

- (A)** enters into a five year contract with MHN Holdings Limited to lease five self-contained properties in Market Place, Hertford for the council's use council as temporary accommodation for households facing homelessness.

1.0 Proposal(s)

- 1.1 It is proposed the council enters into a contract with MHN Holdings Limited to lease five, one-bed flats in Market Place, Hertford for a term of five years in return for an agreed lease fee – see EXEMPT Appendix A for the details of the fee. The contract will give the council the exclusive right to let the properties to households to whom the council owes a duty or power to provide temporary accommodation while assisting them secure more settled accommodation.
- 1.2 The lease costs along with management, repairs, maintenance, utility costs in addition to those recharged to tenants and coverage of void periods can be met from the rents charged, which in turn can be covered in full by housing benefit for those unable to afford them, and modest service charges for gas, electricity and water levied on the tenants.
- 1.3 Furthermore, use of these self-contained flats will reduce the use of bed and breakfast accommodation which represents a significant cost to the council because the room rates cannot be covered in full by housing benefit, with it being unrealistic to levy the excess amount on the homeless occupiers.
- 1.4 The net financial impact is thus a saving to the council while providing far higher quality temporary accommodation than a bed and breakfast room.

2.0 Background

- 2.1 Throughout 2024/25, at any one time there were an average of 35 homeless households placed in bed and breakfast (b&b) accommodation by the council because there were no vacancies in the council's hostels.
- 2.2 Bed and breakfast rooms clearly provide a poor quality living environment for anything other than the shortest of stays. In addition, unlike the council's own hostel accommodation, housing benefit is not available for the full cost of b&b accommodation. Thus, while the council's hostels are cost neutral, use of b&b represents a cost to the council, totalling around £607,000 in 2024/25 for example. Of this total, only around a third is recoverable from housing benefit. Homeless households are not in a position to meet the shortfall, so the council uses its own resources, set at a maximum of £200,000 in 2025/26, to contribute to making up the difference, with Homelessness Prevention Grant being used to meet the resulting shortfall. It should be noted that the council could not fund the entire costs not covered by housing benefit as the government has set a cap that no more than 49% of the total grant may be used to subsidise temporary accommodation costs as they wish to prioritise preventative work, as, indeed, so does the council.
- 2.3 In 2023, the council was approached by MHN Holdings Limited, the owner of five, self-contained flats in Hertford town centre that were about to be thoroughly refurbished. The owner offered to lease the flats to the council in return for a competitive rent *below* the market rate to reflect the fact that the council would manage the properties, absorb any void costs and return them in a decent condition. The flats are now ready for letting and this decision records the entering into a five year lease with the owner.

- 2.4 The costs associated with the flats can be met in full by the income received. This is summarised in the table below, with greater detail included in the EXEMPT Appendix A.

Annual income	Year 1	Modelled five year total; cpi* +1% applied annually to income and costs
Rent <i>less voids for six weeks</i>	£75,900	£407,825
Service charges payable by the tenants <i>less voids for six weeks</i>	£3,036	£16,313
Net annual income	£78,936	£424,139
Annual costs		
Lease, utilities and council tax when void	£68,465	£367,616
Repairs, maintenance and replacement of furniture	£10,500	£56,419
Total annual costs	£78,965	£424,294
Modelled b&b costs in place of the five flats		
Full cost	£86,710	£465,910
Funded by		
Income from housing benefit	£37,950	£164,224
Cost falling to East Herts Council base budget	£28,570	£154,958
<i>Top up from Homelessness Prevention Grant (HPG)</i>	<i>£20,190</i>	<i>£146,729</i>
Net saving to East Herts Council: <i>income minus cost of flats + b&b saving accruing to the council</i>	£28,599	£155,113

* Cpi of 2.6%, the rate at March 2025, has been used in the modelling.

- 2.5 The table above shows that savings of c£29,000 in the first year will accrue from using these five flats instead of b&b rooms, totalling a modelled £155k over five years given estimated inflation. In addition, the council could redirect c£147k of Homelessness Prevention Grant to better uses over the coming five years.

3.0 Options

- 3.1 Not enter into the five year contract with MHN Holdings Limited. NOT RECOMMENDED as there is a significant need for self-contained accommodation for temporary use by homeless households in place of reliance on b&b hotels. Added to this, the proposal represents a net saving for the council.
- 3.2 Enter into a shorter contract. NOT RECOMMENDED as the owner has stated that a five year contract is the minimum to make the scheme financially viable for them. Of note, neither the owner nor council wishes to enter into a longer contract at this time, especially given the changes that local government reorganisation may bring to the numbers, types and location of temporary accommodation required.

4.0 Risks

- 4.1 As the council would need to pay the lease costs regardless of the level of income received, long void periods could mean that the income achieved would not cover the lease payments and other property costs such as utility costs while void. Of note officers have modelled that the flats would represent a cost neutral position if each was empty for no more than six weeks a year. This in fact is a very prudent assumption as hostel units are typically empty for two to three weeks a year.
- 4.2 Another risk is that the level of need for temporary accommodation in East Herts drops so significantly that these five units are not required. While theoretically possible, this seems very unlikely given that b&b use is currently running at an average of 35 units at any one time and moves to prevent homelessness are unlikely to reduce this figure to below five. Added to this, it would be possible to lease the flats on a medium term basis as an alternative to a social housing tenancy. Thus, it should be considered highly improbable that across the five years of the contract, the council (or a successor council) will not be

able to make use of the flats for those in housing need.

- 4.3 There may be a risk that the lease costs and/or utilities rise by a higher percentage than the rent and service charges can cover. To mitigate this, the lease has an annual lease cost increase capped at CPI + 1% and there is the possibility of housing benefit and service charges for utilities rising to meet this. As a fall back, the council receives Homelessness Prevention Grant from the government; this grant totals over £1m in 2025/26, with a multi-year settlement expected in the summer. It would be a legitimate use of this grant to meet any shortfalls in income, with the council still likely to achieve net savings given the lower contribution to b&b costs.
- 4.4 As an absolute fallback, the council could chose to retain an element of its Homelessness Prevention Grant allocation, within the terms of the grant agreement, to cover the cost of the future shortfalls.

5.0 Implications/Consultations

- 5.1 The scheme has been discussed in detail with the Executive Member for Neighbourhoods who is supportive.

Community Safety

None arising directly from this report.

Data Protection

None arising directly from this report.

Equalities

None arising directly from this report.

Environmental Sustainability

The refurbishment of the flats has been to current building regulation standards and thus will have included insulation upgrades.

Financial

Finance colleagues, including the s151 officer, has input to the financial modelling in this report and is satisfied that the financial viability of the scheme, its ability to deliver savings and the risk mitigations discussed.

Health and Safety

None arising directly from this report.

Human Resources

None arising directly from this report.

Human Rights

None arising directly from this report.

Legal

The lease will be subject to a contract signed by both the property owner, MHN Holdings Limited, and the council. The agreement of the lease terms has been handled by the council's Legal team.

Ward(s) affected: Hertford Castle

7.0 Background papers, appendices and other relevant material

7.1 EXEMPT Appendix A – Financial Appraisal

Contact Officer

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