

PURCHASE OF TWO PROPERTIES FOR USE AS TEMPORARY ACCOMMODATION FOR HOMELESS HOUSEHOLDS

Summary: This report identifies two suitable properties to be purchased by NNDC for use as temporary accommodation for homeless households.

Options considered: Do not purchase these units but instead invest the budget.

Conclusions: The Council has a duty to provide temporary accommodation for homeless households. The Council purchases much of this accommodation from the private sector with a significant net cost to the Council. Purchase of these properties will provide quality, flexible homes for temporary accommodation and there is budget provision available to purchase such homes.

Recommendations: That Cabinet agrees to the purchase of the identified properties (subject to an independent valuation and survey) using the budget provision.

Reasons for Recommendations: To provide authority for expenditure over £100,000.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

Budget report to Full Council 22 February 2017

Cabinet Member(s): Cllr Andrew Brown
Ward(s) affected: North Walsham West and The Raynhams

Contact Officer: Nicky Debbage, Housing Strategy & Delivery Manager, Tel: 01263 516027, email nicky.debbage@north-norfolk.gov.uk

1. Introduction

- 1.1 The council has a duty to provide emergency/temporary accommodation (TA) for homeless households whilst assessing their case and/or ahead of securing more permanent accommodation. The council uses a range of accommodation to meet this duty and, whilst some of the costs of this accommodation are covered by housing benefit, this is only payable up to 90% of Local Housing Allowance (the amount set by government that can be covered by housing benefit). This level is low – e.g. £373.50 per month for a 1 bed and £468.08 per month for a two bed home.
- 1.2 The cost of temporary accommodation used varies greatly. Costs can be in excess of £100 per night, with the typical cost of bed and breakfast type accommodation used at £280 per week – making it a very expensive accommodation option. The difference between actual costs and the element

of costs eligible for housing benefit is borne by the council and has risen in recent years with the forecast cost for this year of £170k.

- 1.3 As well as the financial cost of TA, there are clearly quality issues with bed and breakfast style temporary accommodation. Whilst the council tries where possible to use self-contained accommodation with at least basic cooking facilities, that is not always possible. Providing self-contained properties for use as TA will give homeless households a period of relative stability and an opportunity for households to lead a relatively normal life and to demonstrate their capability to hold a tenancy. For those households that need it, this form of TA will also mean a period of time to learn, with support, some basic skills such as budgeting.
- 1.4 The council already owns two units which it has purchased to use for TA (and let at 90% of LHA meaning rent can be fully covered by housing benefit). The council had agreed in principal to purchase four further flats to be used for TA on the Laundry Loke site in North Walsham from Flagship Housing. Full Council approved a capital budget for £610,000 to purchase properties to be used for TA; however, it was considered that the purchase of properties from the market would represent better value for money and this allow the flats at Laundry Loke to be retained by be Flagship and let as affordable housing.

2. Property purchase

- 2.1. Over recent months, officers from the Housing Options and Property Services teams have undertaken extensive property searches to identify suitable potential properties to be purchased for TA. The criteria for this search included:
 - Location – properties need to have good proximity to services (schools, shops, doctors, etc.) and transport links, preferably located in or around one of the towns;
 - Property type – the predominant need is for 1 or 2 bed houses or self-contained flats, and if possible for these to be accessible for disabled households;
 - Condition – homes need to be in good condition with no major refurbishment needs, enabling quick letting;
 - Price – all homes would be subject to an independent valuation to ensure they represent a good investment. However, in line with the rudimentary viability modelling undertaken, ideally the total cost (including any repairs and legal costs) should be no more than £175k. A lower cost would be preferable to allow the purchase of four properties for the £610k earmarked budget.
- 2.2 Using these criteria viewings have been carried out on 20+ properties, with conditional offers made on four. One offer has been refused, one is pending and two have been provisionally accepted.
- 2.3 Details of the financial aspects of these homes can be found in Appendix 1, but in summary offers have been accepted on
 - A two-bed bungalow in North Walsham which is bungalow is available for immediate occupation (no chain), in a good location with easy access to facilities, in good condition with a modern heating system (ready to occupy with the usual safety checks), and has some adaptations making it suitable for households with certain accessibility needs.
 - A one-bed house in Hempton, a 15 minute walk into Fakenham town centre, also available for immediate occupation (no chain). The property

is in good condition with a modern heating system (ready to occupy with the usual safety checks). The property will need internal redecoration. The property is suitable for a single person or couple.

- 2.4 The combined purchase costs of property 1 and 2 are £300,700 giving an average of just over £150k and leaving potential further budget of nearly £310k.

4. Conclusion

This proposal helps deliver the Corporate Plan objective “Local Homes for Local Need” and also helps deliver the council’s statutory duty to provide accommodation for homeless households.

There is a need for good quality TA units and there is budget provision available to purchase such homes. These properties provide quality, flexible homes for TA or for other future uses. It is therefore recommended to purchase these homes – subject to an independent valuation and full survey.

5. Implications and Risks

The key risks and mitigations associated with this purchase are:

- The properties are a poor investment – mitigated by purchase being subject to an independent valuation
- The properties have unforeseen major investment needs – mitigated by purchase being subject to a full survey
- The properties are not required for TA in the future – mitigated by either sale of the assets or use as market rented home (if a housing company is in place to allow this)

Risk will be further mitigated as the homes will be insured by NNDC (and the costs of this are included in management costs assumed below).

6. Financial Implications and Risks

Use of these home for TA, instead of a more costly (and poorer quality) alternative such as bed and breakfast, will help reduce the net spend on TA (which is forecast to be £170k this year). Charging a rent at 90% of Local Housing Allowance on these homes (which is a rent of £468.08 per calendar month (property one) and £373.50 (property 2)) will mean all the rent can be covered by government funding.

Instead of purchasing homes for use as TA the council could chose to invest this capital. An investment of £300,700 at 3.3% gives an annual return of £9,923.10. However, against this return on investment there would be mean two households continue to require other forms of TA at a costs of: 52 week cost of typical B&B at £280pw = £14,560 – 2 x households total cost = £29,120 p.a.

- Minus the 90% LHA we would receive against these costs - £4,482.04 for a 1bed, £5,616.94 for a 2bed = £10,098.98 p.a.
- Net cost to council = £19,021.02 p.a.

Therefore there would still be a net cost to the council of **£9,097.92 p.a.**

However, using our own properties for TA for two households would produce a potential rent of £10,098.98 p.a., there would be costs for managing and maintaining these homes of £2,300 (£800 management, £700 maintenance, £800 capital works) resulting in a net income of **£7,798.97.**

So comparing the return from investing £300,700 but continuing to pay bed & breakfast costs for two households in TA against the income generated from using these two properties for TA there is a net gain to NNDC of **£16,896.89** – so the recommended approach is a better investment.

7. Sustainability

The purchased homes will achieve good energy standards and improvements to heating and insulation will be undertaken to ensure this where required.

8. Equality and Diversity

One of the homes to be purchased is level access with some adaptations and will provide suitable temporary accommodation for households with mobility difficulties.

9. Section 17 Crime and Disorder considerations

No direct implications in this report