

## **PURCHASE OF FURTHER PROPERTY FOR USE AS TEMPORARY ACCOMMODATION FOR HOMELESS HOUSEHOLDS**

Summary: This report identifies a further suitable property to be purchased by NNDC for use as temporary accommodation for homeless households.

Options considered: Do not purchase this unit 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 this property will provide a quality, flexible home for temporary accommodation and there is budget provision available to purchase such homes.

Recommendations: That Cabinet agrees to the purchase of the identified property (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  
Purchase of two properties for use as Temporary Accommodation for homeless households – Cabinet 2 March 2020

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

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#### **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 in excess of £200k.

- 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 five. One offer has been refused, one is pending and three have been provisionally accepted.
- 2.3 Cabinet at their meeting on 2 March 2020 agreed (subject to an independent valuation and survey) to the purchase of two properties for use as TA – a 2 bedroom bungalow in North Walsham and a 1 bed house in Hempton.
- 2.4 It is now recommended that a further property be purchased, details of the financial aspect of this potential purchase can be found in Appendix 1, but in summary it is a two-bed first floor flat in North Walsham. The Flat is available for immediate occupation (no chain), in a good central location with easy access to facilities, in good condition (currently having some refurbishment

completed by the current owner) with a modern heating system (ready to let with the usual safety checks).

- 2.4 The combined purchase costs of properties 1 and 2 (previously agreed at Cabinet 2 March 2020) and this third property are £418,435 - giving an average of just under £140k. This means there is still £191,565 potentially remaining from the £610k earmarked budget to purchase a fourth property.

#### **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. This property will provide a quality, flexible home for TA or for other future uses. It is therefore recommended to purchase this home – subject to an independent valuation and full survey.

#### **5. Implications and Risks**

The key risks and mitigations associated with this purchase are:

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

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

#### **6. Financial Implications and Risks**

Use of this 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 over £200k this year). Charging a rent at 90% of Local Housing Allowance on this home - which is a rent of £468 per calendar month (£5,617 per annum) - 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 £117,735 at 3.3% gives an annual return of £3,885.

However, against this return on investment, one household would continue to require other forms of TA at a cost of £14,560 (based on 52 x typical weekly B&B cost of £280). We would receive 90% LHA against these costs of £5,617 p.a. Therefore there would still be a net cost to the council of £8,943 p.a.

However, using this property for TA would produce a potential rent of £5,617 p.a., there would be costs for managing and maintaining the home of £2,300 (£800 management, £700 maintenance, £800 capital works) resulting in a net income of £3,317.

So comparing the return from investing £117,735 (income £3,885.) but continuing to pay bed & breakfast for a household in TA (cost £8,943) gives a net cost from investing rather than purchasing of £5,058 pa. This compares to the net income generated from using the funds to buy this property for TA of £3,317. Therefore the net gain to NNDC of this approach is £8,375 – so the recommended purchase is a better investment approach.

Option	Income		Expenditure		Net Cost/ Income to Council
	Interest	90% of LHA	B&B Cost	Manage- ment and maintenance	
Invest money	£3,885	£5,617	£14,560	£0	-£5,058
Buy property and let for TA	£0	£5,617	£0	£2,300	£3,317

**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**

No direct implications in this report

**9. Section 17 Crime and Disorder considerations**

No direct implications in this report