

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

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

Budget report to Full Council - 22 February 2017
Purchase of two properties for use as Temporary Accommodation for homeless households – Cabinet 2 March 2020
Purchase of further property for use as Temporary Accommodation for homeless households - Cabinet 18 May 2020

Cabinet Member(s) Councillor Andrew Brown	Ward(s) affected North Walsham East
Contact Officer, telephone number and email: 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 has increased since April 2020 (after several years frozen) but is still relatively low when compared to many market rents – e.g. £540 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 £230k.
- 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
- 2.3 Using these criteria three properties (a 2-bed bungalow and a 2-bed flat in

North Walsham, and a 1-bed flat in Hempton) have already been purchased.

- 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 house in North Walsham. The house is available for immediate occupation (no chain), in a good central location with easy access to facilities, in good condition with a modern heating system (ready to let with the usual safety checks).
- 2.4 The purchase and letting costs of properties 1, 2 and 3 (already purchased) are estimated at £418,435. This means there is still £191,565 potentially remaining from the £610k earmarked budget to purchase a fourth property. Purchase of this fourth property will leave just under £20k, which is clearly insufficient to purchase any further properties, so Cabinet may wish to consider whether this could be set aside for any ongoing repairs or improvements to the Council's TA stock; or whether to make further provision to allow for the expansion of the approach to meeting TA needs in North Norfolk in this way.

3. Corporate Plan Objectives

- 3.1 This proposal helps deliver the Corporate Plan objective "Local Homes for Local Need" and helps us deliver our statutory duty to provide accommodation for homeless households.

4. Medium Term Financial Strategy

- 4.1. 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.

5. Financial and resource implications

- 5.1. Charging a rent at 90% of Local Housing Allowance on this home - which is a rent of £540 per month (£6,480 per annum) - will mean all the rent can be covered by government funding. *N.B. there has been an increase in LHA rates from April 2020, which had been frozen for a number of years. From 2020 rates have been once again set in line with the bottom 30th percentile market rents. This has had a significant impact on LHA levels, for example the weekly LHA for a 2-bed home has risen from £120.02 in 2019 to £138.08 in 2020 (and therefore 90% of LHA has also risen = from £108.02 in 2019 to £124.27 in 2020). These increased rates are included in these calculations and clearly has an impact on the viability of the council providing TA, but should also reduce the net cost of other forms of TA to the council.*
- 5.2 Instead of purchasing homes for use as TA the council could choose to invest this capital. An investment of £172,125 at 3.3% gives an annual return of £5,680. 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 £6,480 p.a. Therefore, there would still be a net cost to the council of £8,080 p.a. offsetting the 'gain' from investing rather than purchasing.
- 5.3 Using the capital to purchase the property for TA would produce a potential rent of £6,480 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 £4,180.

- 5.5 Comparing the return from investing the £172,125, but continuing to pay bed & breakfast for a household in TA – which results in a net cost to the council; with using the funds to buy this property for TA – which results in a net income to the council. Therefore, 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	£5,680	£6,480	£14,560	£0	-£2,400
Buy property and let for TA	£0	£6,480	£0	£2,300	£4,180

6. Legal implications

- 6.1. The council is able to hold in the General Fund, and let on licence, homes to be used for TA for homeless households. Legal input will be required to ensure effective conveyancing and to identify any legal constraints on properties.

7. Risks

- 7.1. 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)

8. Sustainability

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

9. Equality and Diversity

No direct implications in this report

10. Section 17 Crime and Disorder considerations

No direct implications in this report

11. Conclusion and Recommendations

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.