

## **PURCHASE OF FOUR UNITS OF TEMPORARY/MOVE-ON ACCOMMODATION FOR ROUGH SLEEPERS – PURCHASE RECOMMENDATIONS**

**Summary:** NNDC was successful in a bid to the Ministry of Housing, Communities and Local Government (MHCLG) for £140k grant funding to be used with £360k of NNDC capital to purchase four units of accommodation for use as temporary or move-on accommodation for rough sleepers. The terms of the MHCLG grant are that purchases must be made before April 2021. This report now recommends the purchase of these units, using delegated authority where necessary to ensure purchases can be made within the timescales of the grant.

**Options considered:** Do not purchase the units but instead invest the budget. This would not bring about the desired outcome, nor would it be financially advantageous to the Council.

**Conclusions:** The MHCLG funding provides a viable option for the Council to purchase further units of accommodation to help provide quality temporary and move-on accommodation for single rough sleepers / homeless households. A first suitable property has now been identified and purchase of this property, together with three similar properties, would provide quality, flexible temporary accommodation. There is budget provision available to purchase four homes.

**Recommendations:** That Cabinet agrees to the purchase of the specific property identified in this report and gives delegated authority to a Chief Officer, in consultation with the Portfolio Holder for Housing & Benefits, for the purchase of the remaining three properties within the overall budget of £500k (with all purchases subject to an independent valuation and survey).

**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 and Cabinet 7 July 2020
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Cabinet Member(s)	Ward(s) affected
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Councillor Greg Hayman	North Walsham Market Cross
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## 1. Introduction

- 1.1 At the end of March 2020 the government issued a clear instruction to local authorities that everyone who was sleeping rough or in accommodation where it was difficult to self-isolate (such as night shelters), must be urgently supported into safe housing. The MHCLG said that this intervention – known as ‘Everyone In’ – led to more than 5,400 people being offered accommodation in hotels, hostels and B&Bs. In North Norfolk 13 rough sleepers were accommodated in B&Bs (with three ‘entrenched’ rough sleepers refusing accommodation).
- 1.2 To build on the Everyone In approach MHCLG announced some short-term funding to keep those accommodated off the streets and in more settled accommodation. The timetable was very tight - bids needed to be submitted very quickly and funds must be spent/projects delivered by 31 March 2021. NNDC submitted a successful bid for grant of £140k (a grant rate of £35k per unit) to help fund the purchase of four x 1-bed units to be used for single homeless people. The homes are to be used for:
- Statutory homeless single persons (for whom we already have a duty to provide emergency/temporary accommodation (TA)). Currently, of the 45 homeless households in TA (B&B), 28 are single people.
  - Single rough sleepers or those at risk of rough sleeping, but not necessarily deemed as statutory homeless/in priority need, for whom we have a power to house (i.e. like the 13 originally accommodated under Everyone In).
  - To help move-on single people in other forms of emergency/hostel accommodation (such as the Sanctuary hostel in Cromer). This would help free up spaces in these hostels to bring in rough sleepers or other single homeless people.
- 1.3 NNDC has recently purchased four additional units of TA and agreed to refurbish a further home to be used as TA. This brings the Council’s existing stock of TA units up to seven, four more units will mean a total of 11. These homes are important, not only to provide good quality temporary housing to homeless households, but also as the cost to the Council of other forms of TA (such as B&B) is high. 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 (but unavoidable) 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 outturn costs in 2019/20 in excess of £230k.

## 2. Property purchase

- 2.1. Purchase of the four homes will use the same criteria we have followed to recently buy four homes to be used as TA (except that these units will all need to be 1-bedroomed) i.e.:
- Location – properties need to have good proximity to services (shops, doctors, etc.) and transport links, preferably located in or around one

of the towns;

- Property type – 1 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;
- Availability – homes need to be available quickly to meet the funding timetable of 31 March 2021, meaning properties in ‘purchase chains’ are unlikely to be considered. As a point of principle, we will also not consider units with an existing tenant, who would need to be moved out.
- 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 £150k.

2.2 Using these criteria we have identified a property we recommend be purchased. Details of the financial aspect of this potential purchase can be found in Appendix 1, but in summary it is a 1-bed flat in the centre of North Walsham. The flat 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).

2.3 An offer has also been made on a further 1-bed flat in Fakenham and several other properties have been identified as possible purchases. Currently the process of purchasing properties is taking longer than usual, this is likely to be due to the backlog of transactions during lockdown and the current high level of activity in the housing market. The potential delay in processing these purchases may jeopardise our ability to deliver the four units within the grant timescales, i.e. before 31<sup>st</sup> March 2021. Therefore this report specifically recommends the purchase of the first identified property, together with a request for delegated authority to purchase the remaining three units within the overall budget provision of £500k (and with the safeguard of all purchases being subject to an independent survey and valuation).

### **3. Corporate Plan Objectives**

3.1 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 as well as meeting wider objectives in the Homeless and Rough Sleeper Strategy.

### **4. Medium Term Financial Strategy**

4.1. Use of these homes for TA or move on, instead of a more costly (and poorer quality) alternative such as bed and breakfast, will help reduce the net spend on TA. When the bid was submitted for Next Steps funding the timescales were very tight and so, for expediency, the allocated budget for Community Housing Fund projects was suggested as the source of the Council’s match funding of £360k. There is a total of £1.6m of capital CHF remaining, with £570k in the capital programme for 2020/21. This funding was allocated to NNDC in December 2016 and was intended to be used to help deliver community-led housing schemes. Using £360k of this budget would still leave £1.24m for future projects. However, the Section 151 Officer in conjunction with the Portfolio holder for Finance will agree the final source of funding for the Council’s £360k contribution as best meets the authorities need.

## 5. Financial and resource implications

- 5.1. Purchasing this flat and charging a rent at 90% of 2011 Local Housing Allowance (the maximum that can be covered by housing benefit subsidy for TA) on this home produces a rent of £88.27 per week or £4,590 per annum. There would be costs for managing and maintaining the home estimated at £2,300 (£800 management, £700 maintenance, £800 capital works) resulting in a net income of £2,290.
- 5.2. Instead of purchasing a home for use as TA the Council could choose to invest this capital. An investment of £70,000 (£105,000 minus £35,000 of government grant) at 3.3% gives an annual return of £3,465. However, against this return on investment, one person may 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 £4,590 p.a. Therefore, there would still be a net cost to the council of £9,970 p.a.
- 5.3. Comparing the return from investing the £70,000 but continuing to pay bed & breakfast for a single person 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 £70k @ 3.3.%	£3,465	£0	-£9,970	0	-£6,505
Buy property and let for TA	£0	£4,590	0	-£2,300	£2,290

- 5.4. Financial modelling of the purchase of four units for £500k, with £360k funded by NNDC, was undertaken when the Next Steps bid was submitted. This compared two scenarios, one where none of the units were used to fulfil our statutory homeless duty and one where two of the four were used for this purpose.
- 5.5. Scenario 1 showed that the income (net of costs) of purchasing four homes and letting them to single homeless households is lower (-£2,719 pa) than the interest that might be earned from investing the £360k – i.e. there is an opportunity cost to this option. However, this scenario assumed that all four homes were let to households we would otherwise owe no duty to, and would not have placed in TA.
- 5.6. Scenario 2 sought to build in the level of savings that might be achieved if two of the units were used for households who we otherwise would have placed in more expensive B&B. In this scenario the purchase results in income of £9,161 (as in scenario 1) and savings in B&B costs of £18,457 bringing a combined benefit to the Council of £27,618. This is significantly more (+£15,738 pa) than the income from interest if the money was invested. The likely scenario is that the four units will result in some savings on TA costs.

## 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 these purchase are:

- The properties represents poor value for money – mitigated by purchases being subject to an independent valuation
- The properties have unforeseen major investment needs – mitigated by purchases being subject to a full survey
- The properties are not required for TA in the future – mitigated by flexibility to use units for those threatened with homeless or as move-on accommodation for such households for up to two-years.

## **8. Sustainability**

The purchased homes will achieve good energy standards and improvements to heating and insulation will be undertaken to ensure this where required. The proposed purchase is in a sustainable location for any future occupant and any further purchases will meet the same criteria, with access to local services and good public transport links.

## **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**

There is a need for good quality move-on / TA units for single people (the Council receives 100+ homelessness approaches from single people each year), there is budget provision available to help fund purchase of four homes and, with the MHCLG grant funding, purchase of these homes is a viable option. The specific flat recommended for purchase will provide good quality accommodation to allow a settled period and a 'bridge' to a more permanent home. It is therefore recommended to purchase the identified flat and give delegated authority to officers, in consultation with the Portfolio Holder for Housing & Benefits, for the purchase of the remaining three properties (all subject to an independent valuation and survey) within the overall budget of £500k.e

## **Appendix 1 – Financial information relating to the property**

### Potential purchase 1

The accepted (conditional) offer is for a 1-bed first floor flat in North Walsham at a price of £100k. The flat is available for immediate occupation (no chain), in a good central location with easy access to facilities, in good condition (built in 2008) with a modern heating system (ready to let with the usual safety checks).

Stamp Duty Land Tax of £3,000 would also be payable (the stamp duty 'holiday' does not apply to the second home 'uplift' of 3%), as well as legal conveyancing fees and basic re-let checks/repairs. Additionally, to ensure this is a good investment, an independent valuation and survey will also need to be undertaken, which will cost £375. This brings the total estimated cost of this purchase to £105,000.