

## **Purchase of Further Temporary Accommodation Units – Using Underspends**

Summary:	This report seeks support to use £546,270 of underspends from other housing related budgets in the 2020/21 Capital Programme to be used to fund purchase of further properties to be used as Temporary Accommodation for homeless households.
Options considered:	Do not use this underspend for purchase of Temporary Accommodation but instead carry the funding forward (in the case of Disabled Facilities Grant budget) or do not use this underspend for the purpose it was allocated (in the case of Next Steps Accommodation Programme 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. Using housing related underspend to purchase further properties will enable the Council to provide quality, flexible homes for temporary accommodation. Use of Disabled Facilities Grant underspend from 2020/21 to purchase accessible homes is in line with the Council's agree Better Care Fund spending. Use of the 2020/21 underspend will not put additional pressure on the 2021/22 adaptations budget as sufficient funding is expected to meet demand. A longer term review of use Disabled Facilities Grant is planned to identify options for better ways of providing adapted homes.
Recommendations:	That Cabinet allocate £546,270 of budget in the 2020/21 capital programme to be used for future purchase of temporary accommodation. That Cabinet gives delegated authority to a Chief Officer, in consultation with the Portfolio Holder for Housing & Benefits, for the purchase of the specific properties within the overall re-allocated budget of £546,270 (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)*

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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Purchase of four units of Temporary / Move-on accommodation for Rough Sleepers  
– Purchase recommendations - Cabinet 7 December 2020

Cabinet Member(s)  
Cllr Greg Hayman

Ward(s) affected:  
District-wide

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## 1. The case for additional Temporary Accommodation

- 1.1 The Council has a legal duty to provide Temporary Accommodation (TA) to homeless households under the Homeless Reduction Act 2017; both at Relief stage (whilst investigations are carried out) and where a full duty is owed (ahead of securing more permanent accommodation). The number of households requiring TA has increased in recent years and currently there are 54 households in TA. The need for TA has further increased due to the government's "Everyone In" initiative, ensuring vulnerable rough sleepers are accommodated during the current pandemic. With a continuation of lockdown and then the prospect of evictions beginning once again, we do not envisage a reduction in the number of homeless cases or the requirement for TA for the foreseeable future.
- 1.2 There is not just a human cost to homelessness and the need to use TA, there is also a financial cost to the Council. The Council is only able to recover (in Housing Benefit) an amount based on 90% of the relevant government set Local Housing Allowance (LHA) level from 2011 against the cost of TA. Typical rates for bed and breakfast are £280 per week, whereas 90% of the 2011 LHA rate would be £88.27 per week for a 1-bed and £109.04 for a 2-bed – with NNDC covering the shortfall. The outturn net cost of TA to NNDC in 2019/20 was £233k, the current forecast outturn for 2020/21 is potentially as much as £500k.
- 1.3 These issues have been the driver for NNDC recently investing in TA. NNDC has held one unit of TA since early 2017, four more (originally to be from the new development at Laundry Loke) were purchased last year, together with two units at Stirling Close, which were Compulsory Purchased and now used/being refurbished ready to use for TA. We are currently in the process of purchasing four 1-bed units to be used to temporarily house rough sleepers, partly funded (£140k of a total expenditure of £500k) under the government's "Next Steps Accommodation Programme. This will bring the Council's total owned TA portfolio up to 11 units. In addition NNDC leases a 3-bed house from Victory to use as shared TA for single people.

## 2. Potential underspends available to purchase further TA

- 2.1 There are two areas of underspend in the 2020/21 capital programme which could be sources of funding to purchase further units of TA:

- 2.2 **Next Steps Accommodation Programme** – NNDC was successful in a bid to the Ministry of Housing, Communities and Local Government (MHCLG) for £140k funding matched by £360k of NNDC capital to purchase four units of accommodation to be used as temporary/move-on accommodation for rough sleepers. Offers have now been accepted on four 1-bed properties (two in North Walsham, one in Fakenham and one in Melton Constable). The purchase price, plus associated survey/legal costs etc., and an allowance for relet works on these four properties totals £453,730. This leaves £46,270k potentially available to invest in a further unit of TA. MHCLG have confirmed that the full £140k grant will be payable, even though the full costs of the units is less than was originally forecast.
- 2.3 **Disabled Facilities Grant** – NNDC has seen a year-on-year increase in the budget allocated (from government, via Norfolk County Council) for Disabled Facilities Grant (DFG). The original allocation for 2020/21 was £1,193,858. However, in December 2020 a further allocation of £160,757 was announced, bringing the total up to £1,354,615. By way of comparison, the budget for 2015/16 was £595k, with spend of £473k.
- 2.4 A significant underspend is forecast on the DFG budget this year, with issues for both customers and contractors due to Covid 19, Shielding and lockdowns. The current spend on DFG is £605,370 and it is estimated that outturn spend for the year will be no more than a further £150,000, so a total outturn of £755,370, leaving a likely underspend of £599,245.
- 2.5 The DFG received by NNDC must be spent in accordance with a Better Care Fund spending plan jointly agreed between the local authority and the relevant Clinical Commissioning Groups. Any money paid under this grant must only be used for the specific purpose of providing adaptations for disabled people who qualify under the scheme or any other projects identified in the agreed plan. NNDC's agreed Locality Plan includes the following as legitimate uses of DFG funds:
- Improving dementia provision at Extra Care Housing schemes
  - Subsidising the cost of new supported housing schemes
  - Subsidising the cost of new build wheelchair accessible properties
  - Funding the adaptation of properties within the current social housing stock that lend themselves to adaptation and which are not currently tenanted in order to meet the needs of those whose current property cannot be adapted (mainly households with children)
  - Purchasing properties on the open market to meet the needs of households who needs are not currently being met and for whom there are no other solutions to meeting their needs
- 2.6 Previously DFG has been used to fund the dementia enhancements to the new Housing21 extra care housing so there is precedent for different usage. There is a need for accessible TA, previously and currently - with one client currently requiring fully wheelchair accessible TA and others requiring level access showers. TA cases needing accessible accommodation are often linked to hospital discharge and recently discussions have been held regarding assistance to the Norfolk and Norwich in discharge planning where someone is unable to return to their home either on a temporary basis or permanently.
- 2.7 The budget for 2021/22 will remain at the same 'increased' level as 2020/21, i.e. £1,354,615. So, whilst at some point in 2021/22 we anticipate the demand

for DFG will increase, we do not anticipate this being beyond the budget available. Future work is planned to review the use of DFG and the potential for supporting 'discretionary' DFG works, such as funding adaptations above the £30k threshold, or funding additional works outside of mandatory DFG requirements. However, this will need more work and liaison with other districts and NCC and will require NNDC to develop and agree a "Regulatory Reform Order". However, ahead of this policy development, uses of DFG funding in line with our existing Locality Plan could take place without further policy work.

- 2.8 Some of the options outlined above in the Locality Plan are not deliverable currently/within this financial year, but should be considered as part of the wider review of DFG to assess their impact on the provision of suitable property for disabled households. For example, the only extra care housing currently in development in the district is the Housing 21 scheme at Fakenham, which NNDC is already part funding, but there may be future opportunities to enhance extra care provision. It may also be possible to help ensure viability and deliver new supported housing schemes in future using DFG funding. Likewise it may be possible to increase the number of wheelchair accessible properties, both on affordable and market development, with DFG funding or to agree with Registered Providers programmes of adaptations to existing homes to make them suitable to meet the needs of those who need to be rehoused.
- 2.9 In the short term it would be possible to purchase properties on the open market to meet the needs of disabled households who need temporary housing – either as a result of homelessness or as a temporary option to allow hospital discharge. This use would be in accordance with the Better Care Fund spending plan.

### **3. Property Purchase**

- 3.1 Purchase of additional homes will use the same criteria we have followed to recently purchase eight homes (four purchased / four in the process of purchasing) to be used as TA, 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 or 2 bed properties;
  - Condition – homes need to be in good condition with no major refurbishment needs, enabling quick letting;
  - Availability – homes need to be available relatively quickly, avoiding purchases in 'sales chains'. 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 of a property (including any repairs and legal costs) should be no more than £182k.
- 3.2 Additionally, as these properties will be largely funded using DFG underspend AND because of the needs of many households needing TA, the homes purchased must be accessible. This will mean the properties to be purchased will need to be level access, have good space standards and have (or have the

ability to easily convert) bathrooms with a walk-in shower. In reality this will mean purchases are either bungalows or ground floor flats.

3.3 The current Stamp Duty holiday is due to end 31/3/21. As NNDC's purchases are defined as 'additional' homes, even with the Stamp Duty holiday purchases are still liable to a 3% Duty. However, after the holiday ends this will increase to 5% for the value of homes over £125k. If the properties to be purchased have an average total price (including all 'on costs') of £173k, which will allow purchase of some 2-bed homes and/or bungalows, the budget of £546k would allow purchase of three homes. If the average price were £130k the budget of £546 will enable the purchase of four properties.

3.4 Currently the process of purchasing properties is taking longer than usual, this is likely to be due to the backlog of transactions during earlier lockdowns and the current high level of activity in the housing market. To secure properties in an active housing market this report requests delegated authority to purchase a minimum of three properties / potentially four properties, within the overall budget provision of £546k (and with the safeguard of all purchases being subject to an independent survey and valuation).

#### 4. Corporate Plan Objectives

This proposal helps deliver the Corporate Plan objective "Local Homes for Local Need" and specifically the objective 1.4.2 "Investment in Temporary Accommodation".

#### 5. Medium Term Financial Strategy

Use of underspends to fund purchase of NNDC properties to be used for TA, instead of a more costly (and poorer quality) alternative such as bed and breakfast, will help reduce the net spend on TA.

#### 6. Financial and Resource Implications

Purchasing units to be used as TA is broadly viable – although viability is clearly affected by the purchase price of a unit, the size (and therefore the rent chargeable) and the source of finance (i.e. if borrowing is required to fund the purchase). The table below illustrates an example viability assessment of purchasing a property for £150k to be used for TA compared to relying on purchasing B&B accommodation.

Option	Income per annum		Expenditure per annum		Net Cost/ Income to Council
	Interest	90% of LHA	B&B Cost	Manage- ment & mainten- ance	
Invest £150k @ 3.3%	£4,950	£0	-£14,560	0	-£9,610
Buy 1-bed property for £150k and let for TA	£0	£4,590	0	-£2,300	£2,290

As the table shows, investing capital but having to pay for B&B represents a net annual cost of £9,610 to NNDC, compared to a net income of £2,290 from purchasing and letting a home for TA.

**7. Legal Implications**

The council is able to hold in the General Fund, and let on license, 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 that are considered for purchase.

**8. Risks**

The key risks and mitigations associated with using 2020/21 underspend to purchase of properties for TA are:

- The property is a poor investment – mitigated by purchases being subject to an independent valuation
- The property has unforeseen major investment needs – mitigated by purchases 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)
- Use of DFG budget underspend puts pressure on future DFG budgets – mitigated by the level of funding for adaptations for 2021/22 remaining high and the carry forward of some DFG underspend to the 2021/22 budget (using £500k of DFG for purchase of TA will still leave a forecast £99k underspend which can be carried forward to 2021/22 and considered for alternative uses/part of a wider review of DFG).

**9. Sustainability**

Homes purchased for use as TA will achieve good energy standards and improvements to heating and insulation will be undertaken to ensure this where required.

**10. Equality and Diversity**

No direct implications in this report

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

No direct implications in this report

**12. Conclusion and Recommendations**

It is recommended that the forecast underspend from the Next Steps Accommodation Programme of £46,270, together with £500,000 of the predicted DFG underspend for 2020/2, are allocated to the Temporary Accommodation budget to support the purchase of accessible homes to be used for TA. A budget of £546k should enable the purchase of 3-4 further TA properties (depending whether these are 1 or 2-bed). It is recommended Cabinet gives delegated authority to a Chief Officer, in consultation with the Portfolio Holder for Housing & Benefits, for the purchase of the specific

properties within the overall re-allocated budget of £546,270 (with all purchases subject to an independent valuation and survey).