

Name of Committee:	Cabinet		
Committee Date:	6 September 2023		
Report Title:	Purchase of Temporary Accommodation		
Responsible Officer:	Wayne Layton Executive Head of Regeneration and Economic Development		
Cabinet Lead:	Councillor Gwen Robinson		
Status:	Non-Exempt		
Urgent Decision:	No	Key Decision:	No
Appendices:	None		
Background Papers:	None		
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Report Number:	HBC/36/2023		

Corporate Priorities:

The health and wellbeing of our community is at the heart of the Council's Corporate Strategy. To deliver the Council's priority for its residents we need to provide good outcomes for these service users through intervention, support and providing good quality affordable housing, including temporary accommodation. The recommendations contained in this report and its desired outcome contribute to this priority by providing alternative, decent quality housing for people that need Temporary Accommodation.

Executive Summary:

The Council has a statutory responsibility, under the Housing Act 1996, to house certain groups, in temporary accommodation. The need to reduce the Council's rising costs on homelessness temporary accommodation and the need to find a satisfactory and sustainable solution for the Council and its residents is now an urgent issue. The Council has an underlying budget deficit issue caused by the increase in the number of people presenting as homeless.

This report outlines the strategic need for change in the current profile and provision of temporary accommodation. It seeks to allow the Council to work in a more agile and commercial manner to purchase property for temporary accommodation that will allow it to tackle the underlying budgetary pressure that has arisen as a result of the increase in statutory homeless service users.

Additionally, it is to seek approval to delegate to the S151, in consultation with the Leader and the Cabinet Lead for Finance, the ability to amend the Capital Programme and incur borrowing for the Council in circumstances where it will decrease the Council's current budgetary deficit.

For the foreseeable future, even with a strong focus on preventative activity, there is an anticipated increase in demand. The overall aim is to reduce the number of placements into Bed and Breakfast accommodation and therefore reduce the associated costs to the Council.

Recommendations:

That Cabinet:

Agree to implement a temporary accommodation purchase programme.

That Cabinet recommends to Full Council:

To borrow through the Public Works Loan Board (PWLB) as is required to purchase property for use as temporary accommodation up to a limit of £2m.

To authorise the use of S106 Affordable Housing contributions to fund the purchase, adaptation and fit out, of property for use as temporary accommodation.

To amend the Capital Programme for any purchase of property for use as temporary accommodation.

Delegate authority, subject to a sound Financial Business Case, to the S151 Officer, in consultation with the Leader and the Cabinet Lead for Finance to purchase property that will be used to provide temporary accommodation.

1.0 Introduction

- 1.1 The Council is short of temporary accommodation options and is having to utilise Bed and Breakfast placements across the Borough. This is wholly unsuitable for households who have been placed in such accommodation as well as financially costly to the Council. The number of households presenting as homeless and therefore requiring accommodation is increasing significantly meaning an alternative option is needed urgently.
- 1.2 At the time of writing this report the Council has around 100 placements of individuals, couples and families in temporary accommodation within and outside the Borough for whom the Council has a statutory obligation to house. It is forecast that the cost to the Council this year could be over £2.0m, and crucially £1m more than we have in either cash limited budget or external grant to fund. This £1m will have to be funded from corporate reserves, which is not a sustainable position. For the foreseeable future, even with a strong focus on preventative activity, there is an anticipated increase in demand and therefore without the implementation of strategic measures an increase in unbudgeted expenditure is inevitable.
- 1.3 The Council has already started to implement a Homeless Reduction plan which focusses on supporting prevention and helping people access alternative accommodation. This will take time to implement and the Council will need to have a facility whereby it can temporarily house service users.
- 1.4 This report seeks approval of a change in strategic direction, to agree and authorise the Council to purchase property with a view to reducing the cost of temporary accommodation through which the Council can provide good quality accommodation and support for those who are trying to access other accommodation.
- 1.5 There is a scarcity of property on the market currently. The Council needs to be in a strong commercial position whereby it can move quickly to negotiate and secure the acquisition of an appropriate property as and when it becomes available. As such, this report does not identify individual properties that can be purchased immediately but requests a delegation to do so in the future.

2.0 The Business Model

- 2.1 The Council will acquire properties using a mixture of S106 Affordable Homes Contributions and PWLB borrowing and any other contributions

that it can secure. The Council will retain the freehold of these properties. The Council will employ a partner who will support those within the property in a similar arrangement to that at Brent House. The maintenance of the property will be commissioned by our in-house property team.

- 2.2 The Council currently pays in the region of £50 to £70 per night in temporary accommodation for rooms in local hotels and Bed and breakfasts. For say 20 service users this could cost between £365,000 to £511,000. It could be that by buying a property for say £1,600,000 and funding part of this with S106 affordable homes contribution the borrowing costs, including repayment of capital could be £50,000 per annum with operating cost of around £90,000. This would say be between £225,000 to £371,000. This would have a major reduction in our ongoing revenue position.

7.0 Financials

Because the report seeks to request an authority to acquire property there are no specific financials that can be quoted.

8.0 Budgetary Implications

- 8.1 The Council is finding the number of people requiring temporary accommodation is continuing to increase and it needs to look at several initiatives in order to reduce the impact on the financial position. Its key that any property purchase is subject to a full financial appraisal and the impact on the Council's overall deficit is understood.

9.0 Relationship to the Corporate Strategy

- 9.1 The health and wellbeing of our community is at the heart of the Council's Corporate Strategy. The council's response supports the Corporate Strategy themes of providing the homes that people need and building healthy and prosperous communities as outlined below.
- 9.2 Wellbeing: The Health of our Communities. We will enable and deliver interventions to prevent homelessness and rough sleeping. To deliver the Council's priority for its residents we need to provide good outcomes for these service users through intervention, support and providing good quality affordable housing, including temporary accommodation.

10.0 Options

10.1 Option 1 – Continue existing use nightly paid accommodation

Nightly paid accommodation utilises external providers and landlords to provide accommodation on an agreed nightly rate.

There are no additional costs paid such as repairs as these are considered the responsibility of the landlord. There are no costs associated with void periods as providers are only paid if the property is occupied.

Currently the majority of temporary accommodation is provided through this arrangement.

The cost of nightly paid accommodation such as Bed and Breakfast is costly and not a financially sustainable solution.

10.2 **Option 2 – The Council purchases properties for Temporary Accommodation from the open market**

Purchasing properties on the open market through borrowing is a long-term option to house temporary accommodation households.

The PWLB loans would have to be paid regardless of if the property is being occupied. If the property is empty, there will be no income received. This is an unlikely scenario given current demand. The Council also has the option to house statutory homelessness service users from other neighbouring authorities.

There will be additional costs such as void works, responsive repairs, capital replacement and gas servicing and the furnishing of the property. These will be factored into the financial appraisal.

The Council will own a portfolio of assets that will reduce in cost over time and generate income in the long term. Also, the Council may benefit from capital growth in the value of properties, but this is not always guaranteed, and property values can go up and down.

The purchasing of properties is, the most preferable option to diversify the Council's temporary accommodation portfolio. Reliance on the private sector cannot be removed entirely and should still be utilised to provide surge capacity. This method would provide greater cost and supply certainty with the benefit of accruing equity in purchases that can be sold later or generate income. The purchase of property is just one initiative of many that the Council are using to try and reduce the cost of meeting its statutory homeless obligation.

11.0 **Conclusion**

- 11.1 This initiative could be vital as we move into the winter and see a sharp rise in the number of service users requiring temporary accommodation by the Council. Being proactive in the market and ensuring that the Council looks at a number of different initiatives including the purchase of property seeks to deliver much needed temporary accommodation and bring the Council's deficit under control.

12.0 Implications and Comments

12.1 S151 Comments

Changes to the Council's capital programme are usually approved by Full Council, this report asks for a delegation to negotiate the acquisition of the property. Whilst the exact amount is not known, a reasonable estimate has been put in place and a prudent "ceiling limit" for the delegation. The recommendations sensibly seek a delegation to Chief Officers and the Leader of the Council to negotiate on the Council's behalf.

This proposal would allow the Council to be responsive to emerging opportunities to both protect service provision and reduce budgetary pressures on a demand led service.

The Council can only borrow in line with its own Approved Treasury Management Strategy that was approved by Full Council in February 2023. Any borrowing taken must also meet the conditions of the Prudential Code and must be Affordable, Sustainable and Prudent. Therefore, a full financial appraisal will and must be approved by the Section 151 Officer before any borrowing is entered into.

12.2 Financial Implications

The financial implications are addressed in detail in the body of this report.

12.3 Monitoring Officer Comments

The report is coming to the Cabinet because it relates to strategic considerations in relation to the Council's duties to provide temporary accommodation and because of Cabinet's overall responsibility for acquisitions of any interest in land, buildings or the real and leasehold property of the Council. It is a matter for Full Council to agree any additions to the budget.

There are no significant governance implications arising from this report outside of those aspects already referenced in the body of the report.

Members are reminded that they are under an obligation to exercise their fiduciary duty carefully. The meaning of fiduciary duty can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers.

12.4 Legal Implications

The Council has a duty to provide temporary accommodation to homeless applicants under S188 of the Housing Act 1996. That accommodation must be suitable for the applicants and there are a number of criteria that the accommodation must meet in order to be suitable for example if that accommodation is provided in a B & B or HMO property it can only be occupied for a maximum of 6 weeks if the applicant household includes children.

- 12.4 There is no requirement for this accommodation to be provided within properties owned by the Council and the use of privately owned accommodation has been the model which has traditionally been used.
- 12.5 Most tenancies granted under the Homelessness provisions are non-secure tenancies and therefore do not attract the Right to Buy but the Council will need to ensure that this is kept under review as the applicants move through the various duties to avoid the risk of losing any properties bought to the Right to Buy. The time an applicant is accommodated in temporary accommodation may count towards the qualifying period for the Right to Buy.
- 12.6 Section 17 of the Housing Act 1985 empowers local housing authorities to acquire land, houses or other properties for the provision of housing accommodation. Although there is no specific requirement for the purchase to be at a price representing market value, in administrative law acquisitions using this power should be consistent with the Council's fiduciary duty and achieve a quantitative or qualitative housing gain.
- 12.7 Any additions to the Council's budget are a matter for Full Council but the decision whether to continue to provide accommodation through the use of the private sector or to purchase accommodation to satisfy this duty is one for Cabinet subject to the budget amendments being agreed.
- 12.8 Equality and Diversity
No foreseen impact.
- 12.9 Human Resources
No foreseen impact.
- 12.10 Information Governance
No foreseen impact.
- 12.11 Climate and Environment
No foreseen impact.

- a. The key risk for the Council is the change in interest rates. The financial model that will be used to assess viability has been designed with 5.15% PWLB borrowing rate over a 50 year period. The Council will also apply 3.5% hurdle rate as set out in the Treasury Green Book for business cases when assessing public sector investment. When assessed over a 50 year period the appraisal should be positive. The financial services industry suggest that the recent policy to increase interest rates has nearly peaked and as a consequence it will be prudent for the Council's Treasury management team to borrow in line with the approved treasury management policy in so far as it will borrow in the most financially advantageous manner. This means it could borrow on a short term basis then refinance when rates start to lower.
- b. The other key risk is about Government policy around Housing Benefit. The financial model will assume that Housing Benefit will increase by 1% per annum, the Local Housing Allowance Rate has not increased for the past 5 years following a 14% increase, the model assumes that the LHA rate will increase by at least 1% on average over the term. This is a prudent position to take.
- c. Finally the Council by using S106 won't borrow the entire amount to purchase a property this ensures that if the purchase of the property doesn't go to plan that it can sell the property and have enough equity to meet its outstanding borrowing. The Council will repay it's capital sum of borrowing and this will be funded by Housing Benefit from residents of any property purchased.

14 Consultation

- a. No consultation has been carried out with members of the public or temporary accommodation residents in preparing this report.

15 Communications

- a. Write your communications information here.

Agreed and signed off by:		Date:
Cabinet Lead:	Councillor Gwen Robinson	
Executive Head:	Wayne Layton	29 August 2023
Monitoring Officer:	Jo McIntosh	29 August 2023
Section151 Officer:	Steven Pink	29 August 2023