

SUBJECT:	<i>Acquisition of residential properties</i>
REPORT OF:	<i>Cllr Paul Kelly Healthy Communities portfolio</i>
RESPONSIBLE OFFICER	<i>Head of Healthy Communities</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

To consider how the Council may seek to end the long term use of B+B and private rented nightly let accommodation.

The PAG is asked to advise the Portfolio Holder on the following recommendations to Cabinet:

RECOMMENDATION to Cabinet:

- 1 That the overall business case for the acquisition of residential properties for use as temporary affordable housing be agreed**
- 2 That the Director of Resources be given authority, following consultation with the Leader, to use any sums specifically included in the Council's Capital programme, currently £6.28 million, to purchase assets on receipt of a viable outline business case**
- 3 That the Head of Finance be authorised to carry out the necessary arrangements to obtain loan finance for the acquisition approved under 1 above, if necessary.**

Cabinet to consider the advice of the Portfolio Holder and any comments arising from the PAG.

2. Reasons for Recommendation

- a. To support the Council's Medium Term Financial Strategy and reduce the cost of homeless accommodation.
- b. To enable the Council to discharge its duty to accommodate those who are determined as homeless and in priority need.
- c. The provision of emergency accommodation in the district would reduce the health inequality risks associated with the placement of families out of the district.

3. Content of Report

Business case - Acquisition of housing for temporary accommodation

- 3.1 The Government is committed to preventing and reducing homelessness, and to no one ever having to spend a night on the streets. That is why the Government is implementing the most ambitious legislative reform in decades, the Homelessness Reduction Act, which will commence in April 2018.
- 3.2 South Bucks District Council has no designated emergency housing accommodation and is reliant on expensive temporary lettings, bed and breakfast. The projected

costs of putting people in temporary lettings, this current financial year - £750,000 gross, net costs are estimated to be £487,000 after housing benefits.

- 3.3 Average stay in emergency accommodation is currently 145 days or 5 months whilst the average wait for 2 bedroom property is 23 months
- 3.4 The current trend of numbers of homeless households in need of emergency accommodation during investigation and following a housing duty identifies that the demand for emergency housing is over 60 households
- 3.5 A pipeline of emergency accommodation is being developed through the;
- Continued use of housing association stock on a temporary basis
 - The introduction of a leasing scheme with Paradigm managing up to 30 units of accommodation from the private rented sector
 - The development of 12 emergency accommodation units at the Bath Road Depot
- 3.6 In late 2018/early 2019 a significant number of affordable rented properties will be available at Denham Media Park (63 x rented flats (15x1br / 47 x 2br / 1 x 3br)) and Taplow Mill - (23 x 1br / 17 x 2br). These properties will be let to households currently on the housing register and seeking accommodation in South Bucks. This will include some households currently in emergency accommodation and seeking permanent accommodation through Bucks Home Choice.
- 3.7 It is estimated that an additional 10-20 units of emergency accommodation will be required to meet the Council's needs beyond January 2019.
- 3.8 This housing need may be met through the continued use of nightly rental accommodation; however that option has proven unaffordable or through properties managed by a housing association.
- 3.9 The Cabinet report 7th November 2017 considered the theoretical business case for the use of capital to acquire properties to be managed by a housing association for use as emergency accommodation. That report demonstrated how for a total cost of £6.2M, approximately 20 properties could be acquired avoiding an estimated £339k/annum in emergency accommodation costs.
- 3.10 It is proposed that the Council acquires a number of properties, under a phased programme which are leased to a housing association to manage allowing the Council to retain the asset. The housing association will be responsible for repairs and maintenance and in return will provide a reduced lease income to the Council. Should the properties no longer be required for emergency housing they could be sold on the open market.
- 3.11 The Council would retain nomination rights to the properties for the period of the lease, to be used for short term emergency accommodation. Tenants accommodated would be those;
- pending investigation,

- threatened with homeless and under the new duty to find accommodation for 6 months
- where a homeless duty has been accepted and are awaiting accommodation provided through Bucks Home Choice

3.12 There are currently an number of properties advertised for sale in the, Slough, Langley or South Bucks District offering 1, 2, 3 bed accommodation with prices ranging from £145,000 to £350,000.

3.3 The summary business case is detailed in Table 1 and the full business case detailed in Appendix 1

Table 1 – Summary business case

	Case
Purchase price (including £280,000 in stamp duty)	£6,280,000
Avoided Emergency Housing Costs over 30 years	-£16,128,066
Total saving over 30 years	-£8,391,938
Total NPV over 30 years	-£2,470,561
Avoided Emergency Housing Costs /annum	£339,000

3.17 Assumptions made in developing the indicative business case are:

- Acquisition of properties is £6M excluding VAT and stamp duty estimated at £200k
- Inflation is 3% a year and this is also the discount rate used
- The financing cost is based on borrowing from the Public Works Loan Board, on an annuity basis, over 30 years
- Rents are not increased in line with inflation
- The rental income estimates are based on the 80% of LHA rate for the district
- Rental occupancy is 11 out of 12 months
- Management fee of 50%/property/annum is charged reflecting the higher risk associated with affordable housing
- The calculation assumes the recovery of the £6Million purchase costs over the period of the business case, but as a freehold purchase, the asset may increase in value over time
- The financial model is only an estimate and a detailed business case will be required when a purchase is considered

Sensitivity analysis of the Financial Model

3.18 The level of income will be directly influenced by the model of renting the properties and in particular the level of income required by the third party that delivers the housing management. The income will also be impacted by the ability to increase rents above the LHA rate, so a figure of 80% of LHA has been used to minimise the impact of benefit reductions. A conservative estimate of 50%

management costs has been factored in to manage the properties and client group. The purchase price averaging £300,000 includes approximately £40,000/property for repairs and maintenance on purchase.

- 3.19 **Risks** – the risks associated with the proposal include;
- Rent levels may be impacted by changes to the market due to economic volatility and may increase or decrease
 - Income streams could be affected by tenants failing to meet rent payments and getting into arrears resulting in a shortfall in rental income and additional costs being incurred by legal fees associated with possession action.
 - Maintenance costs may increase or decrease over time depending on the costs at that time and the levels of disrepair by tenants.
 - Unacceptable behaviour may lead to a higher risk of eviction and management costs
 - Council may be unable to find a housing association partner or other provider willing to take on the management of the properties.

4. Consultation

Not Applicable

5. Options

- 5.1 To develop the property acquisition scheme to reduce the impact on the medium term financial strategy, whilst providing vulnerable persons at risk of homelessness with affordable emergency accommodation.
- 5.2 Not to proceed with the scheme but to extend the use of the leasing scheme.

6. Corporate Implications

- 6.1 Financial – £6.3M is budgeted for within the 2018/19 Capital programme for the acquisition of properties. The current net cost of Homelessness 2017/18 is forecast to be £487,000 against a budget of £250,000. Whilst avoiding nightly accommodation costs of £339,000/annum the scheme would provide a net income to the Council of £52,000 in the first year and £8.3M over a 30 year period. Reducing the cost of homelessness is a key priority for the Council. The Capital Programme allocation may be required for other acquisition opportunities so it is proposed to fund these acquisitions for temporary accommodation by way of borrowing from the Public Works Loan Board.
- 6.2 Legal – The provision of emergency accommodation takes in to account the current housing needs and supports the delivery of the Councils affordable housing objectives. Emergency accommodation housing is currently excluded from the Right to Buy legislative requirements.

7. Links to Council Policy Objectives

Delivering cost- effective, customer- focused services.

Working towards safe and healthier local communities.

8. Next Steps

A project group will be established to progress the project and provide update reports to the PAG as part of the Healthy Communities regular update report.

Background Papers:	None other than those referred to in the report
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