

Management Committee

19 September 2017

Consideration of once-off funding to purchase two residential properties

For Decision

Brief Holder

Cllr Gill Taylor – Housing

Senior Leadership Team Contact:

S Hill, Strategic Director

Report Author: C Milone, Head of Housing

Statutory Authority

Local Government Acts 1972, 1988, 1992 and 2003, Housing Act 1085, Localism Act 2011

Purpose of report

- 1 To set out the rationale for the council to purchase two homes that can be used as an alternative to more expensive bed and breakfast accommodation to temporarily house homeless individuals, and seek approval to allocate funds to facilitate these purchases.

Recommendations

- 2 That Management Committee agrees to the release of up to £450,000 from capital receipts to fund the acquisition of two residential properties within the Borough for use as short-term temporary accommodation.
- 3 In order to speed up the offer and purchase process, that the Chief Executive's current delegated authority should be used to proceed with the purchase of suitable properties, in consultation with the Head of Housing, the Housing Briefholder and Section 151 Officer.
- 4 That the council's Steering Group for Democratic Improvement be asked at its earliest opportunity to consider that new delegations be added to the council's Scheme of Delegation as follows:

Delegations to the Head of Housing

In consultation with the Housing Briefholder and Section 151 Officer, and subject to funding having been agreed, to purchase properties suitable for short term temporary accommodation.

Manage a portfolio of owned and leased temporary accommodation.

Offer occupation agreements to homeless households in owned and leased accommodation.

Set charges for owned and leased accommodation.

- 5 That Management Committee agrees to the release of up to £16,000 from the Direct Leasing Reserve in order to equip and furnish the two properties prior to their being let.

Reason for decision

- 6 To allocate once-off funding that supports key corporate priorities.

Background and reason decision needed

- 7 Currently, the approximate net cost to WPBC of placing homeless households into bed and breakfast (B&B) is around £165,000pa (2016/17 figure). This is the difference between what can be claimed back for the accommodation through the benefits system when a homeless person is placed in B&B either in an emergency, because we have accepted a legal duty to them, or pending investigations into their circumstances, and the amount we pay to the B&B proprietor. Of this total, around £116,000 can be attributed to the cost of placing families with children into B&B, with a further £2,000 for couples and the remaining £47,000 for single people (including those expecting a child).
- 8 There have recently been significant changes to the benefits system. Single people under 35 years (the only affected group from April 2017, though others will follow in due course) can claim Housing Benefit while in temporary accommodation (which includes bed and breakfast) at a rate of £114.23pw. This applies whether or not they are in receipt of Universal Credit. For a typical B&B bill of £350pw, only £114.23 can therefore be claimed back from central government through the subsidy process. The difference cannot be clawed back from central government, and is a real cost to the council. In the last financial year, for the client group which might be able to be housed in the short term temporary accommodation proposed in this report, the difference referred to amounted to approximately £30,000.
- 9 If we do nothing except to continue as at present, placing single people into B&B as required, the council's net expenditure is expected to continue to be at least as much as at present, though the trend for homelessness is on the rise and the cost may therefore increase too.
- 10 If the council were to provide this short term temporary accommodation itself instead of placing people in B&B, we would be able to charge

occupants and recover around £154pw per occupant (which includes the maximum allowable £114.23pw Housing Benefit, plus an allowable management charge of £20pw called the Flexible Homeless Support Grant (FHSG) which is fully recoverable, plus a £20pw service charge to the occupant to cover the cost of gas and electricity, water and Council Tax) at no net cost to the council. If we were to acquire a property/ies with a capital sum provided by the council, we have the experience and staffing resources to manage these properties ourselves. This could reduce future costs and thus council expenditure by up to £30,000 a year.

- 11 A budgetary allocation of up to £450,000 from the council's capital receipts would enable Housing to purchase two houses on the open market for this purpose to meet local housing need. It is expected that these properties would enable eight occupants to be housed instead of being placed in B&B accommodation. This would allow significant year-on-year savings to accrue to Council Tax payers in the Borough. It is anticipated that one of these properties would include a bedroom/ bathroom that was suitable for wheelchair users, which is a group that we find difficult to move on from B&B and which therefore costs the council a disproportionate amount to house temporarily.
- 12 The council requires such a capital investment to provide a 4% return each year back in to the General Fund, which would amount to some £18,000pa if the full £450,000 is spent. The savings that would accrue to the council from providing this accommodation itself significantly outweighs £18,000.
- 13 Local authorities are empowered to build or acquire homes under section 9 of the Housing Act 1985, which states the following:

9 Provisions of housing accommodation.

(1)A local housing authority may provide housing accommodation —

(a)by erecting houses, or converting buildings into houses, on land acquired by them for the purposes of this Part, or

(b)by acquiring houses.

(2)The authority may alter, enlarge, repair or improve a house so erected, converted or acquired.

- 14 Local authorities with a stock of council houses provided under Section 2 of the Housing Act 1985 are required to maintain a Housing Revenue Account (HRA) for the costs and income. This proposal is to acquire two homes to provide short term temporary accommodation for homeless people only. This is provided for under Section 3 of the Housing Act 1985 and does not require a HRA. There would be significant financial implications if an HRA were required, therefore if any changes of use were proposed in the future, a full financial appraisal would be required.

- 15 In order to facilitate a timely offer and completion for the property/ies that it is decided to purchase, it will be necessary to move swiftly. To this end, Management Committee is asked to agree to the use of the Chief Executive's current delegated authority to proceed with these purchases, in consultation with the Head of Housing, Housing Briefholder and Section 151 Officer. The Head of Housing will subsequently report back to Management Committee with details of the purchase/s at the first possible opportunity following this.
- 16 The council's current scheme of delegation does not explicitly delegate to the Head of Housing authority for such purchases, nor the management of owned temporary accommodation, and this needs to be addressed to enable this scheme to proceed. Management Committee agreement is therefore sought to work with the council's Steering Group for Democratic Services to ensure that these delegations are added to the Scheme of Delegation:

Delegations to the Head of Housing

In consultation with the Housing Briefholder and Section 151 Officer, and subject to funding having been agreed, to purchase properties suitable for short term temporary accommodation.

Manage a portfolio of owned and leased temporary accommodation.

- 17 Currently, the Head of Housing has delegated authority (delegation ref 7) to offer occupation agreements to homeless households in leased accommodation. The council's Steering Group for Democratic Improvement will be asked to amend the Scheme of Delegation as follows:

Delegations to the Head of Housing

7 *Offer occupation agreements to homeless households in owned and leased accommodation.*

The Management Committee is asked to agree that this amendment be taken forward to the Steering Group for Democratic Improvement.

- 18 Currently, the Head of Housing has delegated authority (delegation ref 8) to set charges for leased accommodation. The Steering Group for Democratic Improvement will be asked to amend the Scheme of Delegation as follows:

Delegations to the Head of Housing

8 *Set charges for owned and leased accommodation.*

The Management Committee is asked to agree that this amendment be taken forward to the Steering Group for Democratic Improvement.

- 19 There are no 'change of use' issues arising from this proposal. A residential house which becomes shared accommodation for fewer than seven people does not require special permission, planning consent or an HMO license to operate. Each of the houses purchased by the council is expected to provide no more than four lettable rooms for occupation by fewer than seven people.
- 20 In addition to purchasing these homes, Housing will need to equip and furnish the properties for use as shared short term temporary accommodation. These revenue expenses will be picked up separately to the capital purchase costs of acquiring the homes. Housing have accumulated a surplus over the last few years from the efficient management of its leased properties portfolio (called the Direct Leasing Reserve) which could be used for this purpose. The reserve currently stands at £144,000. It is estimated that furnishing and equipping these houses will cost no more than £8,000 per house, or £16,000 in total. The agreement of Management Committee is required to allocate money from the reserve.

Implications

Corporate Plan

- 21 The budget allocates the financial resources of the councils and therefore directly impacts upon the delivery of the corporate plan.
- 22 Directly providing an alternative to bed and breakfast accommodation for vulnerable homeless people will help them feel supported, safe and able to live more independently while they are helped into long term accommodation. This will help us to build strong, inclusive and sustainable communities.

Financial

- 23 Available unallocated capital receipts currently stand at £1.45m. There is a report elsewhere on the agenda which requests £500,000 from capital receipts therefore, if both requests are agreed, they would reduce the unallocated capital receipts to £0.5m. There is a further aspiration to allocate £3m to harbour walls and flooding issues in the future. The use of funding for this scheme will reduce the investment income by up to £18,000 per annum, therefore the scheme will need to cover this loss of income. As capital receipts are a once-off source of funding, once allocated to a scheme they are not available to support other schemes. The scheme is supported by a business case which covers the loss of investment income and generates a small annual surplus which would be set aside in order to fund future liabilities such as replacement kitchens etc. The most significant savings will be seen within the Housing Benefit budget, estimated to be around £30,000 once both properties were operational.

Equalities

- 24 None directly from this report.

Environmental

25 None directly from this report.

Economic Development

26 None directly from this report.

Risk Management (including Health and Safety)

27 There are some risks to the council expanding its ownership and management of this type of accommodation, in terms of our ability to manage the properties effectively and protect the council's reputation, and also in terms of potential financial losses being made from the schemes. However, the experience already gained from our management of two leased schemes in Dorchester has been invaluable, and mean that we have the necessary experience and skills to do this well. The council's financial exposure is further mitigated by its ability to dispose of the acquired properties and realise any capital appreciation that has accrued.

Human Resources

28 Should this scheme proceed, a fully funded post in the Housing establishment (0.6FTE), which has been held vacant pending the expected expansion of our managed residential stock, will be appointed to.

Consultation and engagement

29 Not applicable.

Appendices

30 None.

Background papers

31 None.

Footnote

Issues relating to financial, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

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