

Acquisition of property for use as temporary accommodation

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| Report number: | CAB/WS/23/033 | |
| Report to and date: | Portfolio Holder Decision | 20 September 2023 |
| Cabinet members: | Councillor Diane Hind Portfolio Holder for Resources Tel: 07890 198957 Email: diane.hind@westsuffolk.gov.uk | |
| | Councillor Richard O’Driscoll Portfolio Holder for Housing Email: richard.o’driscoll@westsuffolk.gov.uk | |
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Decisions Plan:

Notice of Intention providing the purpose of the decision and the date in which the decision is expected to be made has been published on 21 August 2023.

Wards impacted: All wards

Recommendation: It is recommended that the Portfolio Holders for Resources and Housing approve:

- 1. the purchase of the freehold interest of one unit of temporary accommodation to be funded through**
 - a. the Local Authority Housing Fund Two and**
 - b. Government grant, discount or relief schemes, any other options for external funding and the Investing in Growth Fund.**
- 2. Establish a capital budget of up to £320,000 (three hundred and twenty thousand pounds) funded as per funding streams set out in (1) above, to be made available to facilitate the purchase of one unit of temporary accommodation including fees, survey and valuation costs, and any required works to bring the property up to standard.**
- 3. Acknowledge that in line with recommendations (1) and (2) above, officers will proceed in line with the Council's agreed Scheme of Delegation.**
- 4. Agree for the Council's Section 151 Officer to make the necessary changes to the Council's prudential indicators as a result of recommendation (2).**

1. Context to this report

- 1.1 The Council is experiencing an increasing demand for temporary accommodation due to rising case numbers of families and individuals presenting as homeless or at risk of homelessness, mainly due to the cost-of-living crisis. We are also likely to see increased demand due to a range of Government schemes including asylum dispersal, support for Afghans including those leaving bridging hotels and Ukrainians presenting as homeless.
- 1.2 The Council has been allocated funding of up to £938,600 through the second round of the Local Authority Housing Fund (LAHF2). This grant has been made available to fund 40 per cent of the purchase price of seven homes including one unit of temporary accommodation by March 2024. This grant level is based on a median valuation. This accommodation is for use for the resettlement of Afghans, however the temporary accommodation can be used for general use.
- 1.3 The Council is looking to acquire one unit of temporary accommodation through this grant funding. The maximum amount of grant available through LAHF 2 for each unit of accommodation is £112,000. The Council would need to fund the remaining 60 per cent of the cost of the unit of temporary accommodation and based on current valuations is likely to be up to £188,000 (including fees). The Council can also claim £20,000 refurbishment costs for the property.
- 1.4 The acquisition of one unit of temporary accommodation would be funded partly through LAHF2 together with the Council's Investing in Growth Fund and Government grant, discount or relief schemes, any other options for external funding. The total ask is below £500,000 and therefore under the delegations approved by Council in December 2019, approval can be made by the relevant Portfolio Holder(s).
- 1.5 Acquisition of such accommodation is included in the Council's acquisition policy and meets the requirements from central government to make temporary accommodation available. Any resettlement properties acquired through LAHF would be through a registered provider, with any temporary accommodation being owned and managed by the council. The grant funding for the temporary accommodation is only available if a registered provider agrees to take part in the scheme and purchases as least one unit of resettlement accommodation.

2. Proposals within this report

- 2.1 The Council currently owns 36 units of temporary accommodation, which are a mix of shared and self-contained. The purchase of an additional unit of temporary accommodation would enable the Council to meet the needs of local families or Afghans and Ukrainians presenting as homeless.
- 2.2 The Council has submitted a validation form to the Department for Levelling Up, Housing and Communities that confirms that £112,000 is being sought through LAHF with an additional £20,000 per property for refurbishment works. Portfolio

Holder approval is being sought to acquire one unit of temporary accommodation. This is an in-principle decision as a property has not yet been identified, therefore figures in this report are illustrative based on properties that are currently available for sale on the open market.

- 2.3 The LAHF2 criteria requires that within each council area in order to acquire one unit of temporary accommodation, at least one unit of resettlement accommodation must be purchased. We are working with a registered provider to deliver one unit of accommodation for resettlement of Afghans and this will be funded through LAHF2 and the registered provider. The registered provider is only able to commit, at this stage, to acquire one property, hence the Council is not applying for the full allocation of £938,600.
- 2.4 Should this proposal be approved, a suitable property for temporary accommodation will be sought and this is likely to be in one of West Suffolk’s five towns. Due diligence will be carried out as part of any potential purchase, and it is expected the council will purchase a property to the value in line with funding illustrated in section 2.6 below, with a maximum funding request of £300,000.

Funding

- 2.5 For each unit of accommodation, 40 per cent funding is provided through LAHF2 and this is based on median house price. In order to purchase a unit of temporary accommodation, the council must therefore provide 60 per cent of the funding. This could be achieved through a range of sources such as the Council’s Investing in Growth Fund and Government grant, discount or relief schemes, any other options for external funding.
- 2.6 The table below shows the illustrative financial implications of the purchase based on the budget requested.

| Capital Implications | £ |
|--|----------------|
| Purchase Cost of building incl fees up to | 300,000 |
| Refurbishment of property | 20,000 |
| Total Capital Cost | 320,000 |
| Funded from: | |
| Local Authority Housing Fund | 112,000 |
| Local Authority Housing Fund - Refurbishment allowance | 20,000 |
| Investing in Growth Fund (borrowing) | 188,000 |
| Total Capital Funding | 320,000 |

| Annual Revenue Implications | £ |
|---|-----------------|
| Income from running as temporary accommodation | (11,934) |
| Running costs of accommodation incl. maintenance contribution | 6,900 |
| Bed & Breakfast Savings | (36,792) |
| (Surplus) / deficit per annum before borrowing | (41,826) |
| Borrowing - Interest & MRP | 11,716 |
| (Surplus) / deficit per annum after borrowing | (30,110) |
| Return on total investment (before borrowing and costs) | 22.25% |
| Return on total investment (after borrowing and costs) | 16.02% |

Assumptions:

- Running costs estimated based on experience with other similar units
- Income assumed at £270 per week with an 85 percent occupancy rate
- Bed and breakfast savings based on £144 per night with a 70 percent occupancy rate
- Borrowing costs are on an annuity basis, over 40 years at an interest rate of 5.50 percent.

2.7 The figures in the table above include the full cost of prudential borrowing, however actual borrowing would only take place when the Council’s treasury management activities identify such a need. For example, this could be when the Council’s cash flow management activities anticipate that an external cash injection is required to maintain the appropriate level of cash balances for the council to operate and fulfil its budget and service delivery requirements.

3. Alternative options that have been considered

3.1 The Council could choose not to provide this accommodation however, this would mean not taking the opportunity to provide an additional unit of temporary accommodation with Government funding at 40 per cent of the capital cost.

4. Consultation and engagement undertaken

4.1 Consultation has taken place with Portfolio Holders.

5. Risks associated with the proposals

5.1 There is a risk associated with the purchase of any property but all the necessary surveys and due diligence will be undertaken and reviewed

5.2 Income levels may fluctuate but this will be kept under review

6. Implications arising from the proposals

6.1 Financial – income levels and running costs of the property will be kept under review

6.2 Legal compliance - none

6.3 Personal data processing - none

6.4 Equalities – this purchase supports the council to meet its equality duty by the provision of adapted accommodation.

6.5 Crime and disorder – provides accommodation to support those who are fleeing violence.

6.6 Safeguarding – as above

6.7 Environment or sustainability – none

6.8 HR or staffing – none – staff supporting this property are supporting the existing accommodation in Mildenhall and staff costs are factored into the income levels.

6.9 Changes to existing policies - none

6.10 External organisations (such as businesses, community groups) - none

7. Appendices referenced in this report

7.1 None

8. Background documents associated with this report

8.1 None