

Acquisition of property for use as temporary accommodation

Report number:	CAB/WS/24/036	
Report to and date:	Cabinet	23 July 2024
Cabinet members:	<p>Councillor Diane Hind Portfolio Holder for Resources Email: diane.hind@westsuffolk.gov.uk</p> <p>Councillor Richard O’Driscoll Portfolio Holder for Housing Email: Richard.o’driscoll@westsuffolk.gov.uk</p>	
Lead officers:	<p>Rachael Mann Chief Operating Officer Tel: 01638 719245 Email: democratic.services@westsuffolk.gov.uk</p> <p>Jill Korwin Strategic Director Tel: 01284 757252 Email: democratic.services@westsuffolk.gov.uk</p>	

Decisions Plan: **The decision made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included on the Decisions Plan.**

Wards impacted: **All wards**

Recommendations: It is recommended that:

- 1. the freehold interest of up to five units of temporary accommodation be purchased, the cost to be funded through:
 - a. the Local Authority Housing Fund Three; and**
 - b. government grant, discount or relief schemes, any other options for external funding, with the balance from and/or the Investing in Growth Fund as set out in Section 2.6 of this report;****
- 2. a capital budget of up to £887,750 (eight hundred and eighty seven thousand seven hundred and fifty pounds) be established for this purpose, to be funded as per the funding streams set out in (1) above, and be made available to facilitate the purchase of up to five units of temporary accommodation including fees, survey and valuation costs;**
- 3. it be noted that, in line with recommendations (1) and (2) above, officers will proceed on this matter in accordance with the Council's existing Scheme of Delegation; and**
- 4. the Council's Section 151 Officer be authorised to make the necessary changes to the Council's prudential indicators as a result of recommendation (2) above.**

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 £573,175, through the third round of the Local Authority Housing Fund (LAHF 3). This grant has been made available to fund 40 per cent of the purchase price of four homes including a minimum of one unit of temporary accommodation by March 2026. This grant level is based on a median valuation. This accommodation is for use for the resettlement of Afghans, however the temporary accommodation element can be used for general use. We have previously purchased a property in the LAHF 2 round for temporary accommodation purposes.
- 1.3 The council is looking to acquire a minimum of one further unit of temporary accommodation through this grant funding. We do have an opportunity to apply for additional grant however at the moment the maximum amount of grant available through LAHF 3 is £115,100. The council would need to fund the remaining cost of the temporary accommodation if our request for additional grant is refused.
- 1.4 The potential acquisition of five units (see Proposals, below) of temporary accommodation would also be funded partly through LAHF 3 together with the Council's Investing in Growth Fund and Government grant, discount or relief schemes, any other options for external funding. The proposal has been assessed on the basis of borrowing and can be fully funded through savings in bed and breakfast costs. There is also a net saving return to the council as set out in 2.6 below.
- 1.5 The total ask is below the £2 million threshold within the investing in our growth fund and therefore under the Scheme of Delegation which was approved by Council in December 2019, approval can be made by Cabinet.
- 1.6 Acquisition of such accommodation is covered by the council's existing asset management and acquisition processes and meets the requirements from central government to make temporary accommodation available. Any resettlement properties acquired through LAHF 3 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 52 units of temporary accommodation, which are a mix of shared and self-contained. The purchase of additional units of temporary accommodation would enable the council to fulfil its legal duties to meet the needs of local families or Afghans presenting as homeless.
- 2.2 Based on current valuations the cost of purchasing the five properties is likely to be up to £887,750 (including fees). The council can also claim £21,000 for any other costs, for example refurbishment and conveyancing costs. The median property price in our area is £287,750. The base grant rate per property for our local authority is £115,100 (based on 40 per cent of the median property price in our area). For the large resettlement element (four or more beds), 50 per cent of the median property price is provided. To facilitate delivery of new housing, an additional 10 per cent uplift to the grant rate will be added for each unit which we agree will be delivered as a new home. The balance of funding has been assumed to be funded from the Investing in our Growth fund.
- 2.3 The council has submitted a validation form to the Department for Levelling Up, Housing and Communities that confirms that up to £115,100 per property will be sought through LAHF 3 with an additional £21,000 per property for refurbishment works. Cabinet approval is being sought to acquire these units of temporary accommodation. This is an in-principle decision as the potential properties have been identified but not yet acquired. Therefore figures in this report are illustrative based on properties that are currently proposed by the landlord.
- 2.4 The LAHF 3 criteria requires that within each council area, in order to acquire at least one unit of temporary accommodation, at least three units of resettlement accommodation must be purchased. We are working with a registered provider to deliver three units of accommodation for resettlement of Afghans and this will be funded through LAHF 3 and the registered provider, with the council passporting the funding through to the registered provider.
- 2.4 Should this proposal be approved, we will seek to acquire five suitable properties for temporary accommodation, and this is likely to be in one of West Suffolk's six towns. Due diligence will be carried out as part of any potential purchase, and it is expected the council will purchase properties to the value in line with funding illustrated in section 2.6 below, with a maximum funding request of £887,750 for the purchase and additional £91,781 for additional staffing in the property services and temporary accommodation teams.

Funding

- 2.5 For each unit of accommodation, 40 per cent funding can be provided through LAHF3 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	782,750
Refurbishment of property	105,000
Total Capital Cost	887,750
Funded from:	
Local Authority Housing Fund	310,000
Local Authority Housing Fund - Refurbishment allowance	105,000
Investing in Growth Fund (borrowing)	472,750
	887,750
Annual Revenue Implications	£
Additional staffing for property building services / temporary accommodation housing teams recognising demands from the additional 5 units	91,781
Running costs of accommodation incl. building maintenance contribution	61,051
Income from running as temporary accommodation	(59,670)
Bed & Breakfast Savings	(139,613)
(Surplus) / deficit per annum before borrowing	(46,450)
Borrowing - Interest & MRP	26,059
(Surplus)/deficit per annum after borrowing	(20,392)
Return on total investment from Growth Fund (before borrowing and costs)	9.83 per cent
Return on total investment from Growth Fund (after borrowing and costs)	4.31 per cent

Assumptions:

- Running costs estimated based on experience with other similar units
- Income assumed at £270 per week with an 85 per cent occupancy rate
- Income will increase by CPI + 1% annually
- B&B savings based on £90 per night with an occupancy of 85 per cent
- Borrowing on an annuity basis, over 40 years at interest rate of 4.60 per cent
-

- 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. This also would not offer the opportunity to reduce the current bed and breakfast costs associated with our homelessness duty as a district council.

4. Consultation and engagement undertaken

- 4.1 Consultation has taken place with Portfolio Holders and Registered Providers.

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. This is due to void periods that may be experienced, damage or rent arrears.

6. Implications arising from the proposals

- 6.1 Financial – income levels and running costs of the property will be monitored.
- 6.2 Legal compliance - Acquisition of such accommodation is included in the council's acquisition policy and meets the requirements from central government to make temporary accommodation available.

- 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 – the council will look to ensure that we maximise the energy efficiency of the property including loft, cavity wall and external wall insulation, solar panel systems and air source heat pumps. We will also ensure that the property purchased is at an EPC C or above.
- 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) – Look to work with Registered Providers

7. Appendices referenced in this report

- 7.1 None

8. Background documents associated with this report

- 8.1 None