



Derby City Council

COUNCIL CABINET
8 November 2017

Report of the Cabinet Member for Housing and
Urban Renewal

ITEM 9

Acquisition of Temporary Accommodation

SUMMARY

- 1.1 A local authority's legal obligations to homeless people are contained within the Homelessness Act 2002. This Act places a number of duties on local authorities, including the duty to secure accommodation for those households owed a main housing duty.
- 1.2 Homeless people owed this duty are often placed in temporary accommodation (TA) while waiting to be allocated permanent housing.
- 1.3 Where there is an insufficient supply of TA available, households often end up in B&B accommodation. This however, is not a suitable form of accommodation, and has been shown to have a negative impact on people's health and well-being, particularly young people.
- 1.4 In Derby there is a shortage of suitable TA, resulting in the inappropriate use of unsuitable and costly B&B.
- 1.5 To remedy this, it is proposed to acquire up to 6 additional homes for TA. This will reduce the number of placements in B&B and result in better outcomes for families and young people. These new homes will be supplied for the express purpose of meeting demand for TA and will be exempt from general needs allocation.
- 1.6 Acquisition can be funded entirely through the use of Right to Buy (RTB) receipts. In the long term the proposed acquisitions programme should be revenue cost neutral for the Council.

RECOMMENDATION

- 2.1 To agree to the acquisition of up to six 2 or 3 bed homes for use as TA, at a maximum total purchase price of £900,000. This sum to be added to the corporate capital programme in 2018/19.

REASONS FOR RECOMMENDATION

- 3.1 To increase the availability of TA so reducing the Council's reliance on B&B and consequently achieving better long-term outcomes for homeless households.

SUPPORTING INFORMATION

Rationale

- 4.1 Increasing the supply of TA serves 2 purposes:
- It helps the Council to meet its statutory duties in respect of homeless households
 - It improves outcomes for homeless households that would otherwise be placed in costly and unsuitable B&B by enabling them to access more suitable accommodation.
- 4.2 It is unlawful to place single 16 and 17 year olds in B&B, and contrary to government guidance to place families in B&B. Even then, it is only permitted in emergency situations and for a maximum of 6 weeks. (The Homelessness (Suitability of Accommodation) (England) Order 2003)
- 4.3 In Derby, a shortage of TA results in an over use of B&B. The Council's target is to see a maximum of 10 households in B&B at any one time. However, the typical number in 2016/17 was 20 households.

Relative rents, acquisition costs and funding

- 4.4 B&B typically costs £390 per week for a household of 4 people. In TA, the rent would be approximately £200 per week. The margins vary for differing sizes of households, but are significant in most cases.
- 4.5 The types of properties in highest demand are 2 and 3 bed units. These will cost in the region of £100k to £150k to purchase depending on precise size, specification and location. The intention is to purchase up to 6 properties in the first tranche. The total cost of this tranche will therefore be £600k-£900k.
- 4.6 Acquisition will be funded entirely through the use of historical Right to buy Receipts. These receipts are not RTB 141 receipts but are the unrestricted (retained) first retention of RTB receipts. They are therefore exempt from the requirement to use RTB receipts towards general needs housing, which applies to S141 RtB receipts. There is in excess of £1m that could potentially be drawn on from this source.

Long term cost implications

- 4.7 The long term revenue cost is expected to be neutral at worst. This is because the savings from B&B costs and the received rent will more than off-set the management and maintenance costs incurred by the new TA. In addition, the consequent change from B&B costs to lower TA costs should reduce overall spending on placements. Finally, the Council will benefit further as HB funding will meet – if reasonable – the full rent and service charges, whereas HB will only meet a limited contribution to B&B costs. There are therefore financial benefits to the Council that go alongside the improved position for the people affected.
- 4.8 The immediate capital cost will be £600k-£900k as detailed in paragraph 4.5 above. It is possible that this initial capital outlay could be recouped over a period of 30 years or so through the revenue surplus generated. In the likely scenario that £200 a week rent is levied for TA, and costs excluding capital investment (purchase and repairs) are around half of this, then the initial investment would be recovered within 30 years. This would appear as a small revenue benefit to the Council in addition to the HB cost reductions indicated above.

OTHER OPTIONS CONSIDERED

- 5.1 The Council could use existing general needs stock for the purpose of TA, but this would take units out of the allocation system that provide permanent housing solutions.
- 5.2 The Council could choose not to invest in additional TA, but this would result in more households having to be accommodated in B&B with the associated undesirable outcomes.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu, Head of Legal Services Amanda Fletcher, Head of Finance - Communities and Place David Cox, Head of HR Jayne Sowerby-Warrington, Head of Strategic Asset Management and Estates Greg Jennings Acting Director of Regeneration, Property and Housing Ian Fullagar, Head of Strategic Housing
For more information contact: Background papers: List of appendices:	Jeremy Mason 01332 640329 Jeremy.Mason@derby.gov.uk None Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The financial implications are set out in detail in paragraphs 4.4-4.9 of the main report. Acquisitions will be funded by historic RtB receipts; the revenue implications will be cost neutral or possibly show a small surplus, due to the saving in B&B costs and the received rent being more than sufficient to off-set the management and maintenance costs incurred by the new TA.
- 1.2 Prior to each property being purchased, a financial appraisal will take place to ensure value for money and demonstrate savings or efficiencies.

Legal

- 2.1 A local authority's duty to homeless people is contained within part 7 of the Housing Act 1996, as amended by the Homelessness Act 2002.

Personnel

- 3.1 None directly arising; the new units will be managed by existing staff.

IT

- 4.1 None directly arising

Equalities Impact

- 5.1 The proposal will provide additional, more suitable accommodation for vulnerable homeless people.

Health and Safety

- 6.1 None directly arising

Environmental Sustainability

- 7.1 None directly arising

Property and Asset Management

- 8.1 The proposal will slightly increase the size of the Council's residential portfolio.

Risk Management and Safeguarding

- 9.1 The risks of this investment programme are small and are minimised by the fact we have at least 3 exit strategies in the unlikely event of the properties no longer being required. These are:
- 1) Sell the properties on the open market
 - 2) Transfer to the Housing Revenue Account
 - 3) Sell to Derby Homes LTD or a Housing Association

Corporate objectives and priorities for change

- 10.1 The proposal will enable the Council to deliver essential accommodation to the most vulnerable members of our society.