



CABINET REPORT

Report Title	Housing acquisition options
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	19 August 2020
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Housing and Wellbeing
Accountable Cabinet Member:	Councillor Stephen Hibbert
Ward(s)	All

1. Purpose

- 1.1 The purpose of this report is to ask Cabinet to consider the outcome of the housing acquisitions pilot and authorise the purchase of more homes, through the Housing Revenue Account, in order to help reduce the use and cost of temporary accommodation, increase the supply of supported housing for people who have been sleeping rough and add to Northampton's stock of council homes.

2. Recommendations

- 2.1 It is **recommended** that Cabinet:
- (a) Notes the outcome of the housing acquisitions pilot and the lessons learned (attached to this report as Appendix A);
 - (b) Approves the extension of this scheme to acquire more homes;
 - (c) Approves the expansion of this scheme to include homes that will meet the needs of people who have been sleeping rough and are rehoused through the Government's rough sleeping move-on initiatives;

- (d) Approves the expansion of this scheme to include any suitable homes (not just those that were previously owned by the Council) and notes that the acquisition of blocks of similar homes can reduce the maintenance cost risks;
- (e) Agrees that, although this scheme will continue to utilise a Target Operating Model which is based on agreed formulae and ceilings on purchase and repair costs, the acquisition of homes to meet specialist requirements may be approved by the Director of Housing and Wellbeing, in consultation with the Chief Finance Officer and Northampton Partnership Homes, when those acquisitions are forecast to remain affordable within the Housing Revenue Account model; and
- (f) Delegates to the Borough Secretary the powers (including, but not limited to, any variation required to be made to the Management Agreement between Northampton Borough Council and Northampton Partnership Homes dated 5 January 2015) that may be necessary in order to implement any Cabinet approvals arising from this report or past Cabinet reports in connection with the alleviation of the costs of temporary accommodation.

3. Issues and Choices

3.1 Report Background

Use and cost of temporary accommodation

- 3.1.1 Throughout 2019/20, the Council and Northampton Partnership Homes (NPH) worked hard to reduce the use and cost of temporary accommodation (TA).
- 3.1.2 Despite the best efforts of all partners, high levels of homelessness and the lack of suitable housing available (Council owned and private rented) has resulted in an increase in the number of households in TA
- 3.1.3 Although the Council has minimised its use of Bed & Breakfast accommodation and reduced, by 11%, the nightly charges paid to housing suppliers for more than 90% of the self-contained, nightly-purchased TA it is currently using, there is still an urgent need to reduce the number of households living in this type of TA.
- 3.1.4 Based on these lower nightly charges, the net cost (to the Council) of providing homeless households with self-contained, nightly-purchased TA – taking into account how much the Council is charged by the supplier and how much it charges the households who live in the TA – is as follows:

SIZE OF PROPERTY	NIGHTLY RATE	NET COST OF THE ACCOMMODATION TO NORTHAMPTON BOROUGH COUNCIL *		
1-bedroom	£34.00	£83 per week	£360 per month	£4,316 a year
2-bedroom	£40.00	£85 per week	£368 per month	£4,420 a year
3-bedroom	£46.00	£112 per week	£485 per month	£5,824 a year
4-bedroom	£52.00	£83 per week	£360 per month	£4,316 a year
5-bedroom	£58.00	£125 per week	£542 per month	£6,500 a year

* This assumes that the Council is able to collect 100% of what it charges. It does not take into account bad debts (resulting from households' non-payment of rent) or the amount of Housing Benefit that the Council pays to homeless households but is unable to recover from Government through the Housing Benefit subsidy system.

Housing acquisitions pilot scheme

- 3.1.5 One of the methods that the Council has used to reduce the number of households living in nightly-purchased TA is through the purchase of former council homes in order to add to the Council stock managed by NPH and let them to the households that have spent longest in this type of TA.
- 3.1.6 During the pilot scheme, NPH worked closely with the Council to purchase 24 former council homes sold under the Right To Buy. Most of them have been let, as 'direct lets' to homeless households that have spent longest in expensive, nightly-purchased TA; this has ended the Council's homelessness duty.
- 3.1.7 The rent charged for these homes is an 'affordable rent' (up to 80% of the market rent) but 'capped' at Local Housing Allowance (LHA) rates.

Lessons learned from the purchase of former council homes

- 3.1.8 The review of the housing acquisitions pilot scheme (see **Appendix A**) has demonstrated the benefits of the Council buying good quality homes that can be let to applicants on the Housing Register, including households living in TA.
- 3.1.9 It also identified some important lessons that were learned from the pilot scheme, including the following:
- The importance of being clear, from the outset, about the size and types of the homes that are required / not required;
 - The benefits of setting upper limits, from the outset, on the cost of purchasing, repairing and refurbishing the homes;
 - The importance of keeping the scheme simple;
 - The benefits of purchasing newly constructed homes (which offer reduced maintenance costs and do not require refurbishment) and homes that are not former council homes where there is an opportunity to acquire a number of homes of a similar nature or there is a specific need in a particular area; and
 - The importance of the scheme being adequately staffed to ensure that all of the properties are acquired, repaired and let within as short a timescale as possible.

Increasing the supply of supported housing for rough sleepers

- 3.1.10 In response to Dame Louise Casey's sudden "Everyone In" instruction for local housing authorities to provide housing for rough sleepers and people living in dormitory-style nightshelters "by the weekend", the Council acted swiftly to close Northampton's Nightshelter and Winter Shelter and 'block book' a total of 85 rooms, in two hotels, for a period of 12 weeks from 27 March 2020.

- 3.1.11 When the Government subsequently asked local housing authorities to ensure that as few rough sleepers as possible return to the streets, the Council extended its use of the two hotels until the end of June 2020 and then moved the remaining rough sleepers from the hotels into one of the University's halls of residence.
- 3.1.12 As part of its plan to increase the supply of supported housing available for rough sleepers, the Council has asked Homes England and the MHCLG to provide it with sufficient capital funding to purchase 30 one-bedroom homes and six houses in multiple occupation (HMOs).

3.2 Issues

Current housing developments

- 3.2.1 The Council is taking full advantage of the lifting of the Housing Revenue Account (HRA) borrowing cap and investing in new build developments and the regeneration and redevelopment of older and inefficient housing stock.
- 3.2.2 During the past year, Cabinet has approved four large housing schemes (Roof Gardens, The Clock House, Beaumont House and Riverside House) which, between them, will deliver more than 300 new council homes.
- 3.2.3 Although further large-scale housing developments are also being actively sought and considered, the development and construction timescales for these schemes mean that these new council homes will not become available for use for at least 18 months. It is necessary, therefore, to expand the Council's stock with built homes.

Number of homeless families living in nightly-purchased TA

- 3.2.4 As at 17 July 2020, there were 194 families living in nightly purchased TA:
- 134 were in a two-bedroom home
 - 53 were in a three-bedroom home
 - 7 were in a four-bedroom home
- 3.2.5 It is proposed that a mix of family-sized homes is purchased. Depending on their availability, this may include the acquisition of 40 - 60 two-bedroom homes, 20 – 30 three-bedroom homes and a number of larger family homes.

Meeting the housing and support needs of rough sleepers

- 3.2.6 On 24 May 2020, the Government announced its plan to invest in the provision of 6,000 new long-term supported homes for those rough sleepers who have been brought off the streets during the COVID-19 public health emergency. 3,300 of these new homes will be delivered, it has pledged, during the first year.
- 3.2.7 Although discussions with Homes England and the MHCLG are ongoing, the Council has requested capital funding to support its purchase of 30 one-bedroom homes and six 5-bedroom HMOs for rough sleepers and former rough sleepers.

- 3.2.8 The Council has asked for sufficient capital funding to enable it to charge the tenants of the 30 one-bedroom homes a social rent. It is also seeking capital funding of 30% - 50% of the cost of purchasing and refurbishing the six HMOs that, on completion, will be managed by the single homelessness charity, NAASH.
- 3.2.9 NPH has confirmed that, based on its research of the local housing market, there is a sufficient flow of suitable one-bedroom homes coming onto the market for the Council to complete the purchase of 30 one-bedroom homes within the upper cost limit that was applied during the housing acquisitions pilot scheme.

3.3 Choices (Options)

Option 1 (recommended)

- 3.3.1 Cabinet can choose to support the extension of the housing acquisitions scheme.
- 3.3.2 This option is recommended because it increases the Council's housing stock, extends the range and type of homes that may be acquired and helps the Council to reduce the use and cost of TA and meet the housing needs of rough sleepers.

Option 2 (not recommended)

- 3.3.3 Cabinet can choose to do nothing.
- 3.3.4 This option is not recommended because there is an urgent need to add to the Council's housing stock in order to reduce the use and cost of TA and increase the amount of supported housing for rough sleepers.
- 3.3.5 If Cabinet does not extend the scheme, this may have an adverse effect on the Council's finances, and potential funding from Homes England and the MHCLG may be lost. This will undermine everyone's efforts to reduce the use and cost of TA and prevent rough sleeping.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The action that the Council is proposing to take is in line with Council policy and reflects the priorities in the Corporate Plan 2019-21.

4.2 Resources and Risk

- 4.2.1 The net Temporary Accommodation budget for 2020-21 is £1.027M and net expenditure is currently forecast to be in the region of £1.427M.
- 4.2.2 Acquiring additional homes to provide homeless households with permanent homes or TA is likely to reduce the cost pressure in 2020/21 and in future years.
- 4.2.3 Investment in suitable properties to provide rough sleepers with move-on accommodation will meet their housing needs and reduce the revenue costs.
- 4.2.4 A request to increase the Council's HRA borrowing cap and associated HRA Capital Programme will be presented to Council in September 2020, with individual scheme business cases presented to Cabinet, for approval, as they arise.

4.2.5 It is important that all housing acquisitions are capable of funding themselves through the charging of appropriate rent in order to ensure that the HRA sustainability is maintained, both in terms of debt servicing and maintenance costs.

4.3 Legal

4.3.1 Pursuant to Part 1 of the Localism Act 2011, the Council has the power to do anything that individuals generally of full capacity may do, provided that the said activity is performed to an established criteria one of which is that the activity must be for the benefit of the Council, its area or persons resident or present in its area.

4.3.2 In the Cabinet Report entitled "Housing Revenue Account (HRA) Budget, Rent Setting 2020/21 and Budget Projections 2021/22 to 2023/24" Cabinet approved pursuant to paragraph 2.4 "*a further £500,000 in 2019-2020 budget by bringing forward the amount proposed from 2020-21 within the HRA capital programme*". It is noted having considered the appendices, that whilst cost savings were achieved 10 out of the 24 properties acquired with the additional funds, fell outside of the parameters established within the cost envelope developed by Finance. For the purposes of good governance and compliance with the Constitution, the Council must be satisfied that, as part of any decision to expand the pilot programme, steps must be taken to ensure that the budget framework is strictly adhered to and monitored and that any financial framework developed should allow for the additional costs of any specialist requirements to be factored in. It is further recommended that in pursuance of good governance and compliance with the Constitution that a documented scheme be formally established.

4.4 Equality and Health

4.4.1 The action that is proposed in this report will help to improve the housing conditions and life chances of people with protected characteristics, including homeless people, people with disabilities and families with children. They will therefore have a positive impact on Equality and Diversity.

4.4.2 Tackling homelessness and reducing the use and cost of TA are part of the Council's commitment to improving communities and our town as a place to live. In doing so, the Council will have due regard to its Public Sector Duty and continue to work to tackle discrimination and inequality and help create a fairer society.

4.5 Consultees (Internal and External)

4.5.1 The action proposed in this report has been developed in consultation with the Housing Advice & Options Service, the Revenues & Benefits Service, the Finance Team, NPH, Homes England and the MHCLG.

4.5.2 An Overview & Scrutiny Working Group has reviewed the way in which the Council has used the 'Buy Back' arrangements to reduce its use of temporary accommodation, and it is undertaking a pre-scrutiny review of the Council's decision to extend and expand the housing acquisitions scheme.

4.5.3 The findings and recommendations of the Overview & Scrutiny Working Group will be shared with Cabinet before it makes its decision.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The action that is proposed in this report will help the Council to deliver the following priority outcomes in the Corporate Plan 2019 – 2021:

- More homes, better homes
- Reduce the overall cost of temporary accommodation
- Tackle, prevent and reduce homelessness
- Improve the health and wellbeing of local people
- Provide value for money services
- Use public resources effectively

5. Next steps

- 5.1 If the recommendations are approved, NPH will start purchasing the homes as soon as Full Council has agreed to increase the Council's HRA borrowing cap and associated HRA Capital Programme in September 2020.
- 5.2 Progress will be closely monitored by a multi-disciplinary group (comprising representatives from Housing, Finance, Legal and NPH) that will meet regularly to oversee the successful implementation of the housing acquisitions scheme.

Appendices

Appendix 1 – Review of pilot scheme involving the purchase of 24 former council homes to reduce the Council's use of temporary accommodation

Background Papers

Temporary Accommodation Action Plan 2019/20 (April 2019)

Phil Harris
Director of Housing and Wellbeing

APPENDIX A

Review of a pilot scheme involving the purchase of 24 former council homes to reduce the Council's use of temporary accommodation

1. Introduction

- 1.1 Throughout 2019/20, the Council and its housing management company, Northampton Partnership Homes (NPH), worked hard to reduce the use and cost of temporary accommodation (TA).
- 1.2 Although the Council has minimised its use of Bed & Breakfast accommodation and reduced, by 11%, the nightly charges it is paying to housing suppliers for more than 90% of the self-contained, nightly-purchased TA it is currently using, there is an urgent need to reduce the number of households living in this type of TA.
- 1.3 To increase the supply of homes that can be let to homeless households in TA, the Council has been working closely with NPH to purchase 24 former council homes that have been sold under the Right To Buy as a pilot housing acquisitions scheme.
- 1.4 Two of these homes will be adapted and let to council tenants who have special needs and require disabled facilities that cannot be provided in their existing homes. When they have moved, their homes will be let to homeless families.
- 1.5 It was also agreed that, of the other 22 homes being purchased, 21 will be allocated as 'direct lets' (ending the Council's homelessness duty) to homeless households that have spent longest in expensive, nightly-purchased TA and 1 will be let as TA.
- 1.6 The rent charged for these 24 homes will be an 'affordable rent' (up to 80% of the market rent) but 'capped' at Local Housing Allowance (LHA) rates.

2. Pilot Scheme

- 2.1 By 8 June 2020, NPH had completed the purchase of 23 of the 24 former council homes, including 1 of the 2 properties earmarked for adaptation and 1 let as TA.
- 2.2 18 of the 23 properties purchased are already occupied by homeless households and another 4 are due to be occupied by homeless households by 31 July 2020
- 2.3 To simplify and accelerate the home buying process, the Finance Team produced a model 'investment appraisal' which included a 'cost envelope' (financial model ceiling) in terms of financial viability. This cost envelope incorporates all of the costs, including the purchase price, legal costs and any repairs and maintenance required.
- 2.4 The purpose of the housing acquisitions pilot scheme was to assess the financial models and the speed with which properties can be acquired, repaired, refurbished and let. The pilot also sought to understand the cost/benefit of the Council owning property for use as TA.

3. Review of the Scheme

3.1 The review of the pilot scheme sought answers to 7 questions:

Question 1: Are properties being acquired within the cost envelope (financial model ceiling) and is the cost envelope at an adequate value?

Yes, 14 of the 24 homes acquired were within the cost envelope and, of those that were not, 6 were less than £6k above the envelope. One home (a 5-bedroom house) has not been allocated an envelope but was acquired within the cost envelope of a 4-bedroom home. It was noted, during the pilot, that there are available properties within the market to meet many of the Council's needs.

Question 2: Is the cost envelope being applied to the 'total cost' of bringing the property into use (including the purchase price, legal costs and any repairs and maintenance) without costs drifting to other budget areas and increasing the total cost above the envelope?

Yes, the cost envelope is being applied to the total cost.

NPH has explained that the higher than expected repairs costs are due to the fact that certain works (including asbestos removal, re-wiring and heating) are not always picked up during the initial survey and until NPH takes possession of the property and can carry out a more invasive survey. It was noted, during the pilot, that there is benefit in purchasing new properties and that the overall cost envelope needs to recognise the higher 'risk' associated with 'purchase and repair' acquisitions.

Question 3: Do the properties being acquired meet the needs of the service in terms of location, size, number of bedrooms and type (houses, flats, maisonettes, etc)?

Yes, the 24 homes comprise: 4 x 1-bedroom flats; 4 x 2-bedroom flats; 2 x 2-bedroom houses; 11 x 3-bedroom houses; 1 x 3 bedroom maisonette; 1 x 4-bedroom house; 1 x 5-bedroom house.

Question 4a: Is the overall timescale (from first knowing about the property to it becoming occupied) reasonable and appropriate?

Of the 22 homes that are either occupied or are due to be occupied by the end of July 2020, it has taken between 125 days and 316 days to identify a suitable property, buy it, carry out any repairs and let it. The average is 198 days (28 weeks); 6½ months. It was noted, during the pilot, that the overall lead time from identification to occupation was longer than expected and needs to be streamlined for the next phase.

Question 4b: Is the acquisitions timescale (identifying a property, survey, offer, conveyancing and completion) reasonable and appropriate?

Of the 23 homes that have been purchased to date, it has taken between 55 days and 228 days to complete. The average is 129 days (18½ weeks); 4½ months. It was noted, during the pilot, that the acquisition process is streamlined and adequately resources for the next phase.

Question 4c: Is the voids timescale (from identifying repairs/maintenance on completion of the purchase to making the home suitable for occupation) reasonable?

Of the 22 homes that are either occupied or are due to be occupied by the end of July 2020, it has taken between 48 days and 189 days to complete the repairs and make the properties 'ready to let'. The average is 72 days (10 weeks). It was noted that the voids timescale was longer than expected and needs to be reduced for the next phase.

Question 4d: Is the letting timescale (from the 'ready to let' date to the date the homeless household is occupying the property) reasonable and appropriate?

Yes. A suitable tenant is identified approximately 2 weeks before each property is due to become 'ready to let'. They normally move in on the day that the property is 'ready to let'.

Question 5: Are the properties that have been acquired being let to the families that are living in the highest cost TA (resulting in the maximum reduction in the cost burden to the Council) and, where there are exceptions, has the Director of Housing and Wellbeing been consulted and approved the exceptions.

Yes. To date, there has been no need for any exceptions.

Question 6: Are the families that have been in TA longest being actively considered for other housing options, including the private rented housing?

Yes, they are being considered for all housing options.

Question 7: Is progress reported to the Director of Housing and Wellbeing in a timely manner and is the scheme meeting customers' needs?

Yes, NPH reports progress on a weekly spreadsheet.

4. TA Cost Reduction

- 4.1 As explained earlier in this report, 2 of the 24 former council homes are being purchased and adapted to meet the needs of existing council tenants who require family homes with disabled facilities. When these families move into the adapted homes, the homes they vacate will be let to homeless families that are living in TA.
- 4.2 If these 2 properties are disregarded for the purpose of the calculations, the purchase of the 22 former council homes will afford the Council the opportunity to avoid nightly-purchased TA costs of around £2,170 per week.

5. Lessons learned from the Pilot

- 5.1 The review has demonstrated the benefits of the Council buying good quality homes that can be let to homeless households living in TA.
- 5.2 It also identified some important lessons that were learned from the pilot scheme, including the following:
- The importance of being clear, from the outset, about the size and types of the homes that are required / not required;
 - The benefits of setting upper limits, from the outset, on the cost of purchasing, repairing and refurbishing the homes;
 - The importance of keeping the scheme simple and focused on the approved target need list;
 - The benefits of purchasing new homes (perhaps within a higher upper limit) and properties that are not former council homes; and
 - The importance of the scheme being adequately staffed to ensure that all of the properties are acquired, repaired and let within as short a timescale as possible.

6. Opportunities for Further Property Purchases

- 6.1 On behalf of the Council, NPH has reviewed the local housing market to establish whether or not there is a sufficient supply of suitable family homes available, within the existing cost envelopes, to support a second round of property purchases.
- 6.2 During its review of the local housing market, NPH identified suitable properties and rejected certain types of property as being unsuitable: apartments in blocks in which the Council does not hold the freehold; Victorian properties with cellars; properties that have parking issues / shared areas that could cause management problems; properties sold at auction.
- 6.3 It should also be noted that, although the Council's acquisition of existing properties can help meet its needs, this does not increase the overall housing stock in the area. For this reason, the preference must be to seek new builds in order to increase the overall number of homes available.

7. Next Steps

- 7.1 It is recommended that:
- The lessons learned from this pilot are embedded in the housing acquisitions process and the Council continues to acquire further homes to meet its current and emerging needs in order to increase its overall housing stock and reduce the cost associated with the provision of TA;

- Cabinet is asked to endorse the widening of the housing acquisitions scheme to include properties that were not previously owned by the Council. (This remains within the existing policy, but was originally aimed primarily at 'buy backs'.); and
- The Council actively seeks to acquire batches of new homes or new build blocks of flats in order to eliminate the costs associated with refurbishment and the void time associated with repairs and maintenance.

Phil Harris
Director of Housing and Wellbeing