

	REPORT TO CABINET 18 JANUARY 2011	
	Key Decision	YES
Corporate Priority Aim 3 – Creating Healthy and Vibrant Communities	Forward Plan Ref No Cabinet Portfolio Holder	PHPHPM&S2K Cllr Jonathon Dixon Cabinet member for Property, Housing, Public Health, Property Maintenance and Sustainability

REPORT OF: HEAD OF ENVIRONMENTAL SERVICES and HEAD OF FINANCE AND ASSET MANAGEMENT – 11/032

WARDS AFFECTED: ALL

SUBJECT: TEMPORARY ACCOMMODATION FOR THE HOMELESS

RECOMMENDATION (S):

Cabinet is recommended to:

- 1) Agree to the following change the Councils Empty Homes Grant policy to ensure that:

“Empty homes grants are targeted towards RSLs to help support the purchase of long term empty dwellings on the open market. A maximum level of grant (£50,000) is payable per dwelling and that this grant should not exceed more than 50% of the total cost of the Purchase, Repair or Conversion of that dwelling. As a condition of the grant award, the RSL is required to enter into a 25 year agreement with the Council, giving the Council 100% nomination rights. Dwellings brought back into use can only be used by the RSL as temporary accommodation for homeless.”

- 2) Agree that an Invest to Save bid in the sum of £750,000 be included in the Council’s Financial Strategy 2011-21, which will be presented to Full Council for approval in February 2011. This funding will provide grant payments to match fund RSL contributions, enabling the purchase of empty dwellings that can be

brought back into use as temporary accommodation for the homeless. The £750,000 is to be funded from an increase to borrowing to be repaid from revenue savings achieved on the cost of temporary accommodation

- 3) Instruct officers to market the sale of the Councils former homeless hostel at 6-8 Alma Square (Newburn House).

REASON FOR RECOMMENDATION (S):

The Council has a legal obligation to provide temporary accommodation for homeless people. We currently discharge that obligation for single people through the use of Bed and Breakfast Accommodation.

B&B is expensive. This proposal will reduce the Councils reliance on B&B and generate revenue savings to the Council of around £134,000 a year.

The report also recommends that the Councils former hostel for homeless people, at 6-8 Alma Square is sold. This recommendation is made following an assessment of the costs associated with bringing it back into use.

HIGHLIGHTED RISKS:

See attached matrix.

1. INTRODUCTION

- 1.1 The Council has a legal obligation to provide temporary accommodation for homeless people. We currently discharge that obligation through the use of Private Sector Leased Accommodation for homeless families at Kelia Court and through the use of Bed And Breakfast (B&B) accommodation. As at the end of December 2010 we have 60 households in temporary accommodation made up of 23 families at Kelia Court and a further 37 single people in B&B.
- 1.2 This report recommends that as an invest to save measure, the Council provides grant funding to RSLs (as match funding) to support the acquisition of empty properties on the open market to enable them to be brought back into use as temporary accommodation for homeless people.
- 1.3 The report also recommends the sale of the Councils former homeless hostel on Alma Square. This is because the costs associated with bringing this property back into use are more than the predicted cost of purchasing alternative property on the open market.

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

- 2.1 The report meets with the aim of Creating Healthy and Vibrant Communities, with particular reference to Ensuring Affordable and Decent Homes.

3. BACKGROUND AND ISSUES

- 3.1 The Council is currently reliant on B&B to discharge our duties to homeless single people. This is expensive, with average costs around £32 per person per night (£224 per week). Some of these costs are recouped through Housing Benefit (HB) Subsidy (approx £90 a week per person) however from April 2011 the Government is reducing the amount that can be claimed by linking payments to the Local Housing Allowance. This will create an additional financial burden on the Council as the amount eligible for HB will drop to approx £80 a week.
- 3.2 Last year the Council's net spend on B&B was £199,000. This year a net spend of £224,000 is forecast. Based on current levels of usage, the changes being introduced by the Government from April 2010 will cost the Council an additional £18,200 a year.
- 3.3 Officers recently undertook a procurement exercise in an attempt to drive the cost of B&B payments down and to ensure that providers meet minimum legal standards. The outcomes of this were disappointing, with only 2 tenders being received. Prices proposed within those tenders were in excess of current spend levels and well in excess of LHA (Local Housing Allowance) rates. Feedback from providers already used by the Council on an informal ad-hoc basis was that they are unable to meet standards required of them by the Council and that they do not wish to enter into more formal and regulated arrangements.

4. ASSESSMENT

- 4.1 Trends over recent months indicate that homelessness is increasing. Cuts to public spending, reductions in benefits eligibility along with the shortfall of affordable housing in the Borough mean that in coming years we are likely to see an upsurge in homelessness across the Borough. The Council therefore needs to develop more cost effective forms of temporary accommodation than those currently used.
- 4.2 Working with an Registered Social Landlord (RSL) to acquire and convert flats on the open market provides the opportunity for attracting match funding (through borrowing against rental income) as well as providing the added value of proper management and support to the residents. On completion, flats would be owned by the RSL but used by the Council as temporary accommodation for homeless people, let under a licence.
- 4.3 It is estimated that the indicative cost of acquiring and bringing back into use any single flatted unit of accommodation is around £100,000 (£50,000 acquisition costs and £50,000 repair/conversion costs.) Typical acquisition costs for buildings that contain 5/6 of flats are currently around £250,000 to £300,000.
- 4.4 The provision of grant payment to RSLs to undertake this work would generate match funding of around £50,000 per unit of accommodation from

the RSL (this figure reflects the capacity of the RSL to borrow against projected rental income less management costs).

- 4.5 It is therefore proposed that the Council offer grant payments of no more than £50,000 per unit of accommodation. Grant payments made must be for capital purposes (i.e. must result in the acquisition, construction or enhancement of fixed assets) and not exceed 50% of the total cost of the acquisition and refurbishment.
- 4.6 It is estimated that a total capital budget from the Council of £750,000 would enable 15-18 empty homes to be brought back into use for this purpose.
- 4.7 Ownership by an RSL removes all on-going cost liabilities from the Council however, as part of the condition of grant payment the Council would be guaranteed 100% nomination rights in order to meet our obligations.
- 4.8 Flats once developed will comply with RSL design standards and will generate revenue savings to the Council in the region of £134,000 a year (based on average costs of B&B for 18 single people @ £224 per week per person less maximum potential HB subsidy £80.77 per week).
- 4.9. In order to take this proposal forward, it is recommended that the Councils current empty homes grant policy is amended. In previous years the Council has awarded empty homes grants to landlords. Current policy states that these grants should be targeted toward supporting the purchase by *landlords of long term empty dwellings on the open market. A maximum level of grant (£20,000) is payable per dwelling and that this grant should not exceed 75% of eligible expenses.*
- 4.10 As a condition of the grant award, the landlord is required to enter into a 10 year management agreement with an RSL or agree to the Council having 100% nomination rights for a period of 10 years.
- 4.11 Whilst these grants have over the years been relatively popular, this model is not suitable for short term temporary accommodation (let under a licence to homeless people) and lettings under this model, because the homes are not owned by an RSL are not exempt from Local Housing Allowance Rules. Also like the Private Sector Leased model (see 5.1) rents that can be charged under this model do not meet the management costs.
- 4.12 It is recommended that, in order to ensure Council spending on empty homes helps meet our legal obligations and save money, that the current grant policy is amended in line with the recommendations within this report. This means that Empty homes grants are targeted towards RSLs to help support the purchase of long term empty dwellings on the open market. A maximum level of grant (£50,000) is payable per dwelling and that this grant should not exceed 50% of the total cost of the Purchase, Repair or Conversion of that dwelling. As a condition of the grant award, the RSL is required to enter into a 25 year agreement with the Council, giving the Council 100% nomination

rights. Dwellings brought back into use can only be used by the RSL as temporary accommodation for homeless.

- 4.13 There are few options open to the Council should it choose not to make a capital contribution toward the cost of developing more cost effective forms of temporary accommodation.
- 4.14 Further to the Comprehensive Spending Review, it would appear that alternative forms of capital funding from the Government are unlikely to be available for the foreseeable future. In previous years the Council has received an annual capital allocation from Government to support Private Sector Housing Renewal, this source of funding has now ended. In addition, whilst it is understood that the Government have earmarked £100M nationally to support the acquisition of empty homes, this money should be spent to support the delivery of their new 'affordable rented product' (e.g. housing owned or leased by RSLs and let at 80% of the market rent). Full details of this fund have yet to be confirmed.
- 4.15 In addition further changes proposed to the way housing benefit is paid mean that alternative models of temporary provision (such as Private Sector Leasing) are also becoming less viable. Again this is because rents are linked to LHA rates which are insufficient to meet the rent. Rent charges are very high for PSL schemes because they are made up of both the rent paid by the RSL to the owners of the building and the RSLs day to day management costs.
- 4.16 It is proposed that as part of this review of accommodation for the homeless the Council looks to sell its existing homeless hostel at 6-8 Alma Square (Newburn House), the open market value of which is around £175,000-£200,000.
- 4.17 Newburn House is owned by the Council and has historically been used as a 'hostel' for the homeless, providing 6 units of non-self contained accommodation. Up to 2009 the building was managed on the Councils behalf by Yorkshire Coast Homes.
- 4.18 Over the years the Council have struggled to adequately finance the maintenance of this building and it has fallen into a state of disrepair. The building was closed in 2009.
- 4.19 Whilst this building has an established use as a homeless hostel, it is the view of your officers that the most cost effective option open to the Council is to sell this property on the open market.
- 4.20 This is because the total cost of the required work to bring the property back into use to a minimum standard that meets the Councils/RSLs requirements housing is high. Costs have been received from 2 RSLs (York Housing and Home Housing) both have indicated that the cost of bringing the property back into use to meet minimum standards is in the region of £410,000. Total

scheme costs for its sale and acquisition by an RSL would thus equate to around £615,000.

- 4.21 In order to bring Newburn House back into use as a hostel the Council would need to both release the building at nil value and still make a capital contribution in the region of £200,000-£210,000. A more cost effective option would therefore be to sell the property and recycle the receipt to pay for alternative provision.

5.0 IMPLICATIONS

5.1 Policy

This report recommends that the Council provides grant funding to RSLs to enable them to acquire empty homes to be used by the Council as temporary accommodation for the homeless. Grant payments must be for capital purposes, should not exceed more than £50,000 per unit of accommodation and should not exceed more than 50% of the total cost of the acquisition and refurbishment of the dwelling.

This report also recommends that the Councils current empty homes grant policy is amended (in accordance with the above) to ensure that future spend supports the Council in meeting our obligation toward the homeless and saves the Council money.

5.2 Financial

The financing of this scheme will be progressed on an Invest to Save basis therefore the Council will be required to increase its borrowing levels by £750,000. The borrowing and associated interest costs will be repaid from revenue savings achieved on the cost of temporary accommodation, which will be in the region of £134,000 per year (based on average costs of B&B for 18 single people @ £224 per week per person less maximum potential HB subsidy £80.77 per week).

The table below summarises the capital outlay, annual savings, and interest costs and shows that the scheme will be repaid within 8 years

Estimated Capital Cost of Scheme	750,000
Forecast Pool Interest Rate *	4.05%
Annual costs savings	134,000

YEAR	CAPITAL EXP PROFILE	OUTSTANDING AT YEAR END	INTEREST	PAYBACK	BALANCE REMAINING
	£	£	£	£	£
2011/12	750,000	750,000	30,380	0	780,380
2012/13		780,380	31,610	0	811,990
2013/14		811,990	32,890	(134,000)	710,880
2014/15		710,880	28,790	(134,000)	605,670
2015/16		605,670	24,530	(134,000)	496,200
2016/17		496,200	20,100	(134,000)	382,300
2017/18		382,300	15,480	(134,000)	263,780
2018/19		263,780	10,680	(134,000)	140,460
2019/20		140,460	5,690	(134,000)	12,150
2020/21		12,150	490	(12,640)	-
TOTAL	750,000		200,640	(950,640)	

* Based on PWLB borrowing rates for loans taken out over a 10 year period.

The Prudential Borrowing framework sets out that the Council can only borrow to fund capital expenditure. Expenditure is deemed to be 'capital' when it results in the acquisition, construction or enhancement of fixed assets. Where the Council makes grants to other bodies, they can be classed as capital and funded from borrowing if the expenditure incurred by the grant recipient meets the above criteria. To progress this scheme it is therefore essential that the grant conditions stipulate that expenditure is of a capital nature.

The report sets out that the sale of Newburn House will generate a capital receipt of £175,000-£200,000. Any capital receipt generated will be added to the Council's capital resources and will be used to progress schemes on the capital reserve list.

5.3 Legal

The Council has a legal obligation to provide temporary accommodation to homeless people.

The provision of any grant payment to an RSL will be subject to the Council entering into a contract with them. This contract will require the Council to have 100% nomination rights for 25 years and would require repayment of grant should the homes be sold or used for anything other than their intended purpose without agreement from the Council.

5.4 Equalities and Diversity

The provision of additional support and accommodation for homeless people compliments the Council's aims in respect of equality and diversity and increases housing options for vulnerable people.

5.5 Staffing Issues

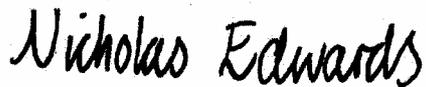
No implications at this stage.

5.6 Planning Issues

No implications at this stage, however any potential accommodation could require planning permission.



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Background Papers:

Please give details of all publicly accessible (non private) background papers applicable to the report.

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT ANDREW ROWE ON 01723 383598 OR E-MAIL andrew.rowe@scarborough.gov.uk

Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	December 2010	The Council continues to be reliant on B&B as temporary accommodation for single homeless people	Spend will increase due to probable increase in demand and changes to HB rules	The Council agrees to use its own capital spending to reduce its revenue costs	B4	A2	Housing Manager	