

HOUSING INITIATIVES PROJECT – PURCHASE OF HOUSES IN MULTIPLE OCCUPATION (HMOs) FOR TEMPORARY ACCOMMODATION

Cabinet Member(s): Councillor Stuart Penny, Cabinet Member for Housing and Property Services
Responsible Officer: Simon Newcombe, Corporate Manager for Public Health, Regulation and Housing

Reason for Report: To seek agreement to purchase either one or two houses in multiple occupation, currently in the private rented sector, for use as temporary accommodation and for rough sleepers.

Recommendations:

- 1. That the Homes PDG recommends either Option 1, 2 or 3 to Cabinet for approval as set out in Section 5 of the report.**
- 2. If Options 2 or 3 are chosen, that full funding is utilised from Earmarked reserves (EMRs) as set out in Section 3.3 of the report.**

Financial Implications: There will be a capital commitment towards the purchase of the properties and revenue commitments towards the ongoing management. Although a bid to the Rough Sleeping Accommodation Fund had been submitted to cover 50% of the costs the bid was unsuccessful. Therefore the full cost of the project will need to be funded from existing budgets. The body of the report details the full costs and commitment required. It is anticipated that capital costs will be covered utilising earmarked reserves (EMRs) for private sector housing and homelessness. The revenue costs will be covered by other Rough Sleeping Initiative funding and Flexible Homeless Grant.

Budget and Policy Framework: The project and its outcomes are supported by the current Housing Strategy 2021-25. In particular the aim of the project is to reduce the current spend on B&B as temporary accommodation and to provide accommodation with support for rough sleepers and those at risk of rough sleeping. The project will be supported utilising external grant funding and earmarked reserves

Legal Implications: The conveyancing for the purchase will need to be covered by our legal team with close links to the vendors chosen solicitor to ensure the smooth and speedy completion.

Risk Assessment: The project is low risk in respect of reputation and provides a long term solution to the provision of temporary accommodation. However, in terms of ongoing maintenance the risk is medium due to the age of the properties and the manner in which they will be occupied.

Equality Impact Assessment: An Equality Impact Assessment has not been carried out in respect of this report. Consideration will be given to the use and accessibility of the properties in the event that the decision is to purchase.

Relationship to Corporate Plan: This initiative falls within the Homes priority of the corporate plan.

Impact on Climate Change: If the properties are purchased, the renovation will include works to improve energy efficiency resulting in a small improvement to the properties carbon footprint.

1.0 Introduction/Background

1.1 The current Government has committed to ending rough sleeping by 2025 and is encouraging local authorities to develop innovative and sustainable services to achieve this commitment.

1.2 In order to achieve this aspiration the Government released two funding opportunities in quarter 4 of 2021/22. These are

- The Rough Sleeping Initiative Fund (RSI) which is a revenue based grant for 3 years to fund prevention, intervention and recovery services.
- The Rough Sleeping Accommodation Programme (RSAP) which is mainly a capital programme to provide Move-On homes, available as long-term assets, and accompanying support services to achieve a sustainable reduction in rough sleeping.

1.3 The Public Health and Housing Options service submitted bids to both programmes. The bid for RSI was successful and we were awarded £342,000 to spend on projects over the next 3 years. Unfortunately the bid for RSAP was unsuccessful with DLUHC stating the reasons for this as Mid Devon having (comparatively) low numbers of rough sleepers.

1.4 Although the funding towards the purchase of properties would have been welcome, it did restrict the use of the properties to rough sleepers only and would have resulted in a loss of some bedroom space due a requirement for fully self-contained accommodation (non-HMO). Without the funding the PDG and Cabinet are being asked to decide if they wish to go ahead and purchase either one or both the properties for use as temporary accommodation and not just for rough sleepers.

2.0 Project overview

2.1 Mid Devon District Council is experiencing a rise in the number of presentations to our service from people either rough sleeping, at risk of rough sleeping or homeless for a variety of reasons. The amount spent on temporary accommodation is increasing and housing solutions for single adults are unaffordable and difficult to secure.

2.2 In 2021-22 the service spent £171,874 on temporary accommodation such as B&B and hotel rooms. A further £127,294 was spent on the use of our own stock as temporary accommodation.

- 2.3 For the first quarter of 2022-23 there are 17 applicants in B&B and a further 37 households in other forms of temporary accommodation. We have spent £43k on B&B accommodation so far this year (1st April 2022 to 30th June 2022).
- 2.4 This proposal is to purchase one or two properties located in Tiverton that are currently being used as HMOs in the private rented sector. The proposal aims to provide a sustainable option of safe and secure accommodation that supports individual's needs with appropriate wrap around services. The aim is to reduce spend on B&B accommodation year on year through the provision of our own accommodation.
- 2.5 Alongside the accommodation we aim to provide a range of support services through partnership working and help them to move-on successfully. This will include support and services around education, employment, budgeting and tenancy sustainment.
- 2.6 The RSI funding and Flexible Homeless Grant will be used to develop these services.

3.0 **Capital Proposal – Purchase and Repair**

3.1 **Scheme 1**

- 3.1.1 This property is a privately rented property with planning use as a HMO. It is fully licensed with the Council and meets the basic requirements of the HMO licensing regime. The property is licensed for up to 6 households providing 6 bed spaces however is larger. It has potential to provide up to 8 bedrooms for single occupancy.
- 3.1.2 We have been approached by the owner with a view to selling this property to Mid Devon District Council. The property has had a full independent RICS valuation and condition report. We have estimates for the costs of refurbishment and repair from Building Services.

Purchase price	£325,000
Repairs/Refurb	£20,000 (max – see Annex A)
Stamp duty	£6,250
Solicitor fees (estimate)	£2,000
 Estimated total cost of project	 £353,250

3.2 **Scheme 2**

- 3.2.1 This property is a privately rented property with planning use as a HMO. It is fully licensed with the Council and meets the basic requirements of the HMO licensing regime. The property is licensed for up to 6 households providing 6 bed spaces for single occupancy.
- 3.2.2 We have been approached by the owner with a view to selling this property to Mid Devon District Council. The property has had a full independent RICS valuation and condition report. We have estimates for the costs of

one refurbishment and repair from Building Services. Of the two properties this requires more work, with the potential for unforeseen structural repairs.

Purchase price	£275,000
Repairs/Refurb (estimate)	£55,000
Stamp duty	£3,750
Solicitor fees (estimate)	£2,000
Estimated total cost of project	£335,750

3.3 It is proposed that the full capital funding required to purchase and repair these properties comes from the Private Sector Housing and Homelessness EMRs (capital codes EQ818 and EQ742). If both properties are purchased then £489k will come from EQ818 and £200k from EQ742. If only one property is purchased then £200k will still come from EQ742 and the balance from EQ818.

3.4 These properties are in the ownership of a single owner who does not want these properties identified publically at this stage and they are not currently marketed for sale on the open market. Further information on the properties is therefore provided in Annex A: PART II – Confidential.

3.5 Opportunities to acquire fully-licenced operational HMOs with relevant planning status within the district are very rare.

4.0 Revenue commitment

4.1 Based on our experience of managing Ivor Macey House the following revenue requirements will be needed per property per year assuming the maintenance is likely to be higher due to the age of the properties:

Property Management/Cleaning/maintenance estimate	£28,000
Council tax/Utilities/Broadband	£10,380
Tenant support service costs (ave. £80 per rm/wk)	£29,120
Total per property per year	£67,500
Total annual revenue required for both properties	£135,000

4.2 The properties will be let at a maximum affordable rent level according to the Local Housing Allowance (LHA) for Mid Devon. This is £126 per week per room which includes basic rent, utilities and council tax is a combination of £104 housing benefit with maximum top-up (paid by tenant) of £22 per week. This is the same amount we can currently recover per week against B&B or hotel costs.

4.3 The annual revenue costs will be covered by the RSI and Flexible Homeless grants and the rental income used to offset this at year end.

4.4 Annual Rental income assuming a prudent 70% recovery and fully occupied for 52 weeks is approx. £37k for Scheme 1 and £27k for Scheme 2. Consequently, rent will not fully cover the annual revenue costs set out in 4.1, with a deficit of circa £20.5k for Scheme 1 and £30.5k for Scheme 2 (£51k

total). Nonetheless, in comparison the equivalent B&B or hotel costs for up to 14 households per week are significantly greater (see below).

4.5 Net cost comparison based on current prices to house 14 single households:

Scheme 1 and 2 HMO accommodation

- Net revenue cost after LHA rent = £0.98k per week for 14 persons
(£51k per year)
= £71 per week per person

B&B or hotel accommodation

- Net revenue cost after LHA rent = £5.23k per week for 14 persons
(£272k per year)
= £374 per week per person

Note: B&B costs based on £500 per week average

4.6 Nonetheless, going forward, predicting savings on B&B is very challenging. On the one hand, the average cost of rooms is going up and they can double during the holiday season. But at the same time the numbers of homeless people is escalating due to the cost of living increases and being unable to pay bills and rent alongside potential pressures arising from refugee schemes. Either way, there is high cost benefit to the Council in maximising its own temporary accommodation and reducing reliance on B&Bs etc.

4.7 Clients will be referred into the properties via the Rough Sleeper Navigators and the Housing Options team. They will be assessed against a set of criteria to ensure the accommodation is the best fit for them and to ensure the right support services are in place.

5.0 Options

5.1 Based on the information in sections 3.0 and 4.0 the PDG are asked to consider the following options:

Option 1 – Do not purchase either property

Option 2 – Purchase one property – Scheme 1 is the preferred option in terms of size, location and ongoing maintenance.

Option 3 – Purchase both properties

6.0 Recommendation

6.1 The Homes PDG recommends either Option 1, 2 or 3 to Cabinet for approval as set out in Section 5 of the report. If either Option 2 or 3 is taken then funding is utilised from EMRs as set out in Section 3.3 of the report.

Contact for more Information: Simon Newcombe, Corporate Manager for Public Health, Regulation and Housing, snewcombe@middevon.gov.uk or Tanya Wenham Operations Manager for Public Health and Housing Options twenham@middevon.gov.uk

Circulation of the Report:

Members of the Housing PDG
Cllr Stuart Penny, Cabinet Member for Housing and Property Services
Leadership Team
Corporate Management Team
Legal Services

List of Background Papers:

ANNEX A: PART II - Confidential