

Cabinet

16 January 2019

Capital Self-Financing Request – Buy to Lease Project



Report of Cabinet

Ian Thompson, Corporate Director of Regeneration and Local Services

Councillor Kevin Shaw, Cabinet Portfolio Holder for Strategic Housing and Assets

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To seek agreement to the capital request and arrangements for a buy and/or lease residential project for people in housing need in County Durham.

Executive summary

- 2 A request was submitted as part of the Council's MTFP 9 capital bidding process to purchase and lease properties to enable alternative provision for people who require housing support but are unable to access social housing due to their particular circumstances.
- 3 The proposal is to either purchase empty properties within Durham or refurbish properties currently owned by Durham County Council (DCC) to be used to fulfil Durham County Council's (DCC) statutory duty to those that are homeless or at risk of homelessness and who require support to sustain a tenancy.
- 4 The Homelessness Reduction Act 2017 has placed new legal duties on local authorities so that everyone who is homeless or at risk of homelessness will have access to meaningful help, irrespective of their priority need status, as long as they are eligible for assistance.

- 5 Both social and private landlords (LLs) are becoming more risk averse to housing those people who have the most complex needs. This together with the lack of appropriately sized accommodation is adding to the pressures of finding accommodation for those to whom we owe a duty.
- 6 This capital request is for a sum of £500,000 to purchase and/or refurbish and bring into use empty properties. It is intended to purchase the first 10 properties within Durham as a pilot with a further bid following should the initial pilot be successful.
- 7 A framework of providers will be put in place to lease these properties and provide a housing management function which reduces the requirement for the Council to manage the properties on a day to day basis. This framework will generate a small revenue income to DCC to be recycled into the project.
- 8 It is assumed that the average cost of purchasing, refurbishing and bringing into use an empty property is £50,000, which would allow ten properties to be brought into the scheme. The annual financing charge associated with each property is £3,034 assuming a 25 year period repayment period at an interest rate of 3.5%.
- 9 For each property, the revenue income to be generated must as a minimum, cover at least the financing charge and leave a surplus to cover any other revenue costs of managing the project. The income assumed from leasing properties to a management provider is £400 per month or £4,800 per year based on the average local housing allowance for 1 to 3 bed properties covering the Durham, Sunderland and Darlington areas.
- 10 A surplus of £1,766 is made on average after deducting the financing charge and assuming no other costs are taken into account. The following table summarises the position for an individual property and also assuming ten properties are brought into the scheme:
- 11 Initial discussions have taken place with various teams within DCC which this project will affect namely legal, assets, direct services and procurement. As long as the numbers remain low at any one time all teams will manage within current resources.
- 12 Key partners such as the Police and Anti-Social Behaviour (ASB) teams will be involved in the decisions as to where to purchase properties and where households are housed, to reduce any impact on communities.

- 13 The project was presented to a selection of staff from Children's and Adult services who are keen to explore the use of such accommodation to fulfil their statutory duty and reduce current expenditure.

Recommendation(s)

- 14 Members are recommended to:
- (a) Support the allocation of £500,000 capital funding
 - (b) Agree to receive further progress reports.

Background

- 15 A request was submitted as part of the Council's MTFP 9 capital bidding process to purchase and lease properties to enable alternative provision for people who require housing support but are unable to access social housing due to their particular circumstances.
- 16 It is anticipated this initial amount would then be used to attract further capital funding from our external partners such as the Police, probation service and the Clinical Commissioning Groups (CCGs).

Proposal

- 17 The proposal is to either purchase empty properties within Durham or refurbish properties currently owned by Durham County Council (DCC) to be used to fulfil Durham County Council's (DCC) statutory duty to those that are homeless or at risk of homelessness and who require support to sustain a tenancy.
- 18 The properties would remain the asset of DCC and be leased to external organisations with Registered Provider status, such as Changing Lives, SHAID, Moving-On, etc. It is proposed that there will be a framework of providers put in place established through a procurement exercise. Informal soft market testing has been undertaken to assess interest in such a proposal and it is believed interest would be evident.

Current Position – Empty Homes

- 19 High levels of empty properties are recognised as having a serious impact on the viability of communities and this is a challenge that County Durham is currently focused on addressing as dealing with empty properties can have social, regenerative, financial and strategic benefits.

20 There are numerous reasons why properties become empty and remain empty including:

- Lack of available finance for refurbishment
- Property requires refurbishment, improvement or complete redevelopment
- Inaction/reluctance by owner to sell/rent property
- Property for sale and affected by property chain/unrealistic price
- Abandonment/bankruptcy/repossession
- Owner in long term care/hospitalised
- Legal ownership, estate or probate issues
- Employment linked homes
- Owner unaware of available options.

21 There are significant advantages from returning empty homes back into use:

- It unlocks potential capital for the owner if the property is sold, it will produce rental income if let and ultimately there is potential for an increase in property value
- Reducing the risk of vandalism, anti-social behaviour and crime
- It can contribute to the regeneration of an area, increasing spending in the local economy and helping to protect and potentially raise the value of surrounding properties
- It can increase residents pride in the area
- It can reduce demand on public services to resolve associated problems i.e. Police, Fire, Council.

22 In Durham, there are significant issues with empty, abandoned and neglected dwellings in many areas across the county. Recent council tax records indicate there are around 4,900 privately owned homes that have been empty for six months or more. A large proportion of these properties tend to be concentrated in areas of relative deprivation, where the housing market is weak.

Current position and our Statutory Duty

23 The Homelessness Reduction Act 2017 has placed new legal duties on local authorities so that everyone who is homeless or at risk of homelessness will have access to meaningful help, irrespective of their priority need status, as long as they are eligible for assistance.

- 24 The Homelessness Reduction Act 2017 extends the number of days that a local authority owes a duty to a client from 28 to 56. In addition, people who have received a valid notice under Section 21 of the Housing Act 1988 and the expiry date is within 56 days, will be treated as being threatened with homelessness and therefore the local authorities responsibilities are increased.
- 25 Under the 2017 Act, LAs are required to provide or secure the provision of free services to give people in their area information and advice on:
- (a) preventing homelessness
 - (b) securing accommodation if homeless
 - (c) the rights of people who are homeless or threatened with homelessness, and
 - (d) any help that is available for people who are homeless or likely to become homeless as well as how to access that help.
- 26 Although homelessness presentations across the county are not increasing, the numbers of people that DCC now have a statutory duty to are increasing due to Homeless Reduction Act legislative changes. We believe the legislation has increased workloads in the order of 60%. There has also been a notable increase in the numbers of cases with complex needs together with the slight increase in rough sleepers.
- 27 Both social and private landlords (LLs) are becoming more risk averse to housing those people who have the most complex needs. This together with the lack of appropriately sized accommodation is adding to the pressures of finding accommodation for those to whom we owe a duty.
- 28 As at 11 September 2018, there were 10 households in temporary accommodation (TA) with varying reasons for presenting to the service. Of these, 4 have been in bed and breakfast temporary accommodation for a considerable amount of time as can be seen in the table below. This length of time in bed and breakfast accommodation is both costly and inappropriate.

Days in TA	Reason	Barriers to Move on
77	Racial abuse/ violence	Dual local connection however no properties out of area accredited and not accepted on social registrar
76	Violence from traveller family	excluded for social registrar due to convictions, landlord will not accept due to convictions regardless of support offered.
48	Violence / targetting	Convictions meaning excluded with social, private rented landlord will not accept him, doesn't want or need supported
160	Threats/violence	Waiting disclosures for Durham Key Options, landlord not accepting no references,

- 29 In 2018/19 to date there have been 47 households placed in bed and breakfast accommodation (single males x 4, single females x 20, couples x 5 and families x 18).
- 30 These cases to date have cost DCC £24,847 and costs will continue to rise until suitable accommodation is sourced. If DCC accommodation were available, it would be typical for these households to be placed into accommodation with support at a much earlier opportunity.
- 31 There are currently very limited options that can be used as temporary accommodation (TA) and supported accommodation so demand for these remains high even though presentations are low.
- 32 As there is little move on accommodation available to those that are successfully housed in TA or supported accommodation these projects become bed- blocked therefore suitable move on accommodation is crucial to free up bed spaces for those in need.

Multi-Agency Public Protection Arrangements (MAPPA)

- 33 A further issue that places pressure on the requirement for suitable accommodation with support relates to ex-offenders and the Council's duty to co-operate with the Responsible Authority, who is the Probation Service.
- 34 The Criminal Justice Act 2003 refers to the establishment of MAPPA. These meetings are designed to protect the public, including previous victims of crime, from serious harm by sexual and violent offenders. They require the local criminal justice agencies and other bodies (including housing) dealing with offenders to work together in partnership in dealing with these offenders.
- 35 The principal responsibility for protecting the public from sexual and violent offenders rests with the criminal justice agencies. However, the effectiveness of public protection often requires more than just a criminal justice response. Other agencies, for example those providing

help with employment and training, accommodation, and housing, play an important role in helping offenders to resettle and may help to reduce re-offending.

- 36 The duty of local housing authorities to co-operate with the Responsible Authority does not create a new duty to accommodate offenders however failure to do so has a wider impact in the local authority area.
- 37 Match funding or funding for support is currently being explored with the Durham Constabulary and Durham Police Crime and Victims Commissioner (PCVC).

Other funding streams

- 38 In August 2018 the government announced a “move- on” fund which aims to free up hostel and refuge spaces by increasing the availability of affordable move-on, or second stage housing, for rough sleepers and those in hostel accommodation, and victims of domestic abuse currently living in refuges who are ready to leave this type of provision but might otherwise not be in a position to access the next stage of housing.
- 39 Again, in August 2018 Ministry of Housing, Communities and Local Government (MHCLG) published the Rough Sleeping Strategy with funding opportunities for Local Authorities. DCC has submitted a funding request for the following:
 - a) **15 Somewhere Safe to Stay Pilots** – assessment hub that builds on the No Second Night Out model in London, to rapidly assess the needs of people who are sleeping rough or those who are at risk of sleeping rough and support them to get the right help.
 - b) **Supported Lettings** – We will fund flexible floating support in homes provided for people with a history of rough sleeping. This will provide flexible support funding to help over 5,000 people at risk of rough sleeping, over the next two years, to sustain their tenancies in homes across the housing sector.
 - c) **Navigators** – We will fund new specialists who will help people who sleep rough to access the appropriate local services, get off the streets and into settled accommodation. These individuals will work with a range of multidisciplinary teams and provide both navigation and co-ordination support, using strong local relationships, expertise and collective working.

- 40 In addition there is now a £20m Private Rented Sector (PRS) Access Fund. The purpose of this fund is to support private rented sector access schemes in local area, or boost the support offered by existing schemes to support homeless people into sustainable private rented sector accommodation. Schemes can include any type of intervention which is designed to increase access to, or sustain, private rented sector tenancies for those who are, or at risk of becoming, homeless. This could include, for example, support with paying deposits/rents, tenancy training, or mediation services.
- 41 Bids for all the above are currently being drafted and will complement this business case although none on them will allow the purchase of properties

Financial Implications

- 42 This capital request is for a sum of £500,000 to purchase and/or refurbish and bring into use empty properties. It is intended to purchase the first 10 properties within Durham as a pilot with a further bid following should the initial pilot be successful.
- 43 A framework of providers will be put in place to lease these properties and provide a housing management function which reduces the requirement for the Council to manage the properties on a day to day basis. This framework will generate a small revenue income to DCC to be recycled into the project.
- 44 A support tender will also be issued which will provide support to tenants in these properties where needed.
- 45 Costs to improve the properties up to decent homes standard will also be found from DCCs financial assistance funding (surplus income from the lease income will be used as pay back of the loan) or from the providers on the framework accessing external funding not available to local authorities.
- 46 The informal soft market testing suggests that day to day repairs and any damage costs to the property will be funded by the leaseholder and DCC will fund any structural or planned maintenance.
- 47 Discussions are ongoing with Durham Constabulary and National Probation service to use ex-offenders as part of their “pay-back” to clean, decorate and complete minor repairs as well as clearing and maintaining gardens.
- 48 Under section 74(1) of the 1989 Act, a local housing authority is required to keep a HRA in respect of land, houses or other buildings

which are provided, acquired, appropriated or otherwise held under certain housing powers, primarily Part II of the Housing Act 1985.

- 49 The Council received ministerial consent to close its HRA on 14 April 2015 following the transfer of its housing stock. If an authority again acquires any property under section 74(1) – it is required to re-open its HRA.
- 50 Official confirmation has been received from MHCLG in a letter dated 22 November 2018 that should a council hold less than 200 properties there is no requirement to reopen the HRA. These properties can be accounted for in the General Fund, subject to a S74(3)(d) Direction made under powers granted in the Local Government and Housing Act 1989.
- 51 It is assumed that the average cost of purchasing, refurbishing and bringing into use an empty property is £50,000, which would allow ten properties to be brought into the scheme. The annual financing charge associated with each property is £3,034 assuming a 25 year period repayment period at an interest rate of 3.5%.
- 52 For each property, the revenue income to be generated must as a minimum, cover at least the financing charge and leave a surplus to cover any other revenue costs of managing the project. The income assumed from leasing properties to a management provider is £400 per month or £4,800 per year based on the average local housing allowance for 1 to 3 bed properties covering the Durham, Sunderland and Darlington areas.
- 53 A surplus of £1,766 is made on average after deducting the financing charge and assuming no other costs are taken into account. The following table summarises the position for an individual property and also assuming ten properties are brought into the scheme:

	One property	Ten properties
Capital Purchase price	£50,000	£500,000
Revenue: Financing charge	£3,034	£30,340
Revenue: Leased income	(£4,800)	(£48,000)
Revenue: Surplus	(£1,766)	(£17,660)

Involvement of other teams

- 54 Initial discussions have taken place with various teams within DCC which this project will affect namely legal, assets, direct services and procurement. As long as the numbers remain low at any one time all teams will manage within current resources.
- 55 Direct services will be the first contact for improvements to the properties however, general day-to-day repairs will be included in the lease agreement and it will be expected the leaseholder will have arrangements in place for these.
- 56 Key partners such as the Police and Anti-Social Behaviour (ASB) teams will be involved in the decisions as to where to purchase properties and where households are housed, to reduce any impact on communities.
- 57 The project was presented to a selection of staff from Children's and Adult services who are keen to explore the use of such accommodation to fulfil their statutory duty and reduce current expenditure.

Conclusion

- 58 It is becoming harder to place service users into appropriate affordable accommodation and the costs of the use of bed and breakfast accommodation is continuing to rise.
- 59 County Durham has a large number of empty properties and this is another tool to assist in reducing of those numbers.
- 60 Members are recommended to:
- (e) support the allocation of £500,000 capital funding;
 - (f) agree to receive further progress reports.

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Appendix 1: Implications

Legal Implications

The Homelessness Reduction Act 2017 places various duties on Local Housing Authorities to take steps to prevent homelessness as outlined in Paragraph 13 of the report. Whilst the Act does not impose a direct obligation to make available accommodation in the Council's ownership the availability of such accommodation would provide the most effective means of discharging the duties.

Finance

£500,000 will be required from the Council's capital funding to purchase properties and to be used as match for external bids.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

The availability of accommodation will be consistent with each individual's rights to a home and family life under Article 8.

Crime and Disorder

Partnership working with Durham Constabulary and teams within DCC will be required prior to purchasing any properties to ensure the use of the properties does not have a detrimental impact on crime and disorder. It is hoped however, that with the right support link to these properties and crime and/or disorder will reduce or be contained.

Staffing

Implications for staff will be at a local and service level in each of the teams whilst numbers remain low. This needs to be monitored closely and reconsidered if the number of properties purchased increase significantly.

Accommodation

Continued lack of housing to discharge duty if project is not approved.

Risk

There is a risk that the Council will fail in its statutory directive to provide accommodation for the different service users.

Procurement

A procurement exercise will take place to establish a framework of providers to lease the properties.