

## LONDON BOROUGH OF CROYDON

To: All Member of Council  
Croydon Council website  
Access Croydon & Town Hall Reception

### **STATEMENT OF KEY DECISION MADE BY THE LEADER OF THE COUNCIL ON 27 MARCH 2020**

The Leader of the Council has taken the decision below under Special Urgency, following the notice published on 26 March 2020.

The making of this decision is urgent due to allow the council to complete the purchases of the various housing units for use as emergency accommodation. This has become more urgent due to the expected increase in homeless individuals and families as a result of hotels closing and people not being able to pay rent. The properties have been completed and are therefore ready for use once we have purchased them.

The following apply to the decisions listed below:

**Reasons for these decisions:** As set out in the Part A report.

**Other options considered and rejected:** As set out in the Part A report.

**Details of Conflicts of Interest declared by the Decision Maker:** None

**Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Decision Maker:**  
None.

**Key Decision no.:** 1720LR

**Decision Title:** INCREASING HOUSING SUPPLY

**Details of decision:**

Having carefully read and considered the Part A report and the requirements of the Council's public sector duty in relation to the issues detailed in the body of the reports, the Leader of the Council in consultation with the Cabinet Member for Finance & Resources and Cabinet Member for Homes & Gateway Services

**RESOLVED:** To

1. Approve the borrowing facility of up to £28m to enable the investment in the acquisition of some 100 street properties at market rates to be let as temporary accommodation
2. Approve the use of up to £12m Right to Buy Receipts to reduce the level of borrowing required

3. Agree that the proposed rent levels for the properties to be at social rent level
4. Delegate authority to the (Interim) Director of Homes and Social Investment for individual property purchases up to £425,000 per home which will include fees and Stamp Duty Land Tax Payments, with any variations to this to be subject to approval by the Deputy Leader and Cabinet Member for Homes and Gateway Services and the Cabinet Member for Finance and Resources
5. Approve the purchase of 10 new homes for use by Key Workers as part of a pilot scheme
6. Agree to the use of Croydon Affordable Homes to manage and let the properties to Key workers based on Assured Short Hold tenancies at a rental of 80% market value
7. Agree to the principle of acquiring new build Brick by Brick properties as part of the housing supply strategy on a home by home basis subject to viability.

**Signed:** Council Solicitor and Monitoring Officer

**Notice date:** 27 March 2020

## For General Release

<b>REPORT TO:</b>	<b>LEADER OF THE COUNCIL</b>
<b>SUBJECT:</b>	<b>Increasing Housing Supply</b>
<b>LEAD OFFICER:</b>	<b>Ozay Ali Interim Director for Homes and Social Investment</b>
<b>CABINET MEMBER:</b>	<b>Councillor Alison Butler, Deputy Leader and Cabinet Member for Homes and Gateway Services</b> <b>Councillor Simon Hall Cabinet Member for Finance and Resources</b>
<b>WARDS:</b>	<b>All</b>

### **CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON**

This report address further the commitment in the Council's Corporate Plan (2018) for "good decent homes , affordable for all"

The Council has a range of statutory duties in relation to homelessness including a duty to secure accommodation for eligible homeless households. Within that range of duties is the requirement to provide suitable emergency temporary accommodation. A key priority is to meet ths need and reduce the pressure on the General Fund. This report outlines one of the initiatives to help address this priority and provide a better standard of homes for families and workers in need of such accommodation.

Our Community Strategy Policy aims to ensure protection of vulnerable people and a key priority within this is to meet the housing need with good quality accommodation.

This report builds on the Housing and Homelessness Strategy presented to cabinet in October 2019 and the two previous schemes to provide emergency temporary accommodation which has delivered 350 street properties under two earlier schemes.

The paper also incorporates the acquisition of new homes as a pilot scheme to provide key worker accommodation to help recruit and retain workers that provide key services to the Council.

### **FINANCIAL IMPACT**

Dealing with increasing homelessness is resulting in significant cost pressures to the Council's Genenral Fund. Investment in the provision of a further 100 homes will allow the Council to reduce the number of households in emergency accommodation (bed and breakfast) by ensuring that the households can move through the system into temporary accommodation and ultimately, longer term tenancy arrangements.

The provision of Key worker accommodation will help to recruit and retain workers that fulfill key roles within the Council to allow better delivery of services and help reduce the costs and impact of staff recruitment and turnover.

### **FORWARD PLAN KEY DECISION REFERENCE NO.: 1720LR**

The decision is due to be taken under Special Urgency (notice published on 26 March 2020).

The making of this decision is urgent to allow the council to complete the purchases of the various housing units for use as emergency accommodation. This has become more urgent due to the expected increase in homeless individuals and families as a result of hotels closing and people not being able to pay rent. The properties have been completed and are therefore ready for use once we have purchased them.

The agreement of the Chair of the Scrutiny & Overview Committee has been obtained.

## **1. RECOMMENDATIONS**

The Leader of the Council is recommended to

- 1.1 Approve the borrowing facility of up to £28m to enable the investment in the acquisition of some 100 street properties at market rates to be let as temporary accommodation
- 1.2 Approve the use of up to £12m Right to Buy Receipts to reduce the level of borrowing required
- 1.3 Agree that the proposed rent levels for the properties to be at social rent level
- 1.4 Delegate authority to the (Interim) Director of Homes and Social Investment for individual property purchases up to £425,000 per home which will include fees and Stamp Duty Land Tax Payments, with any variations to this to be subject to approval by the Deputy Leader and Cabinet Member for Homes and Gateway Services and the Cabinet Member for Finance and Resources
- 1.5 Approve the purchase of 10 new homes for use by Key Workers as part of a pilot scheme
- 1.6 Agree to the use of Croydon Affordable Homes to manage and let the properties to Key workers based on Assured Short Hold tenancies at a rental of 80% market value
- 1.7 Agree to the principle of acquiring new build Brick by Brick properties as part of the housing supply strategy on a home by home basis subject to viability.

## **2. EXECUTIVE SUMMARY**

- 2.1 Local authorities are required to provide accommodation to homeless households in accordance with the provisions of Part VII of the Housing Act 1996. This report looks at the current demand for affordable accommodation in response to homelessness demand. It is proposed to purchase approximately 100 properties to boost the supply of affordable housing in the borough.
- 2.2 The intention is that the properties will be purchased within the Housing Revenue Account (HRA) and held as emergency temporary accommodation. As with other council accommodation, they will be managed by the Housing team for allocations and tenancies as well as responsive repairs as necessary.

- 2.3 The HRA are now able to utilise the Council's retained Right to Buy (RTB) receipts for the provision of new homes. The Council will fund the purchases through the use of RTB receipts for up to 30% of the purchase price and fund the remainder through HRA borrowing.
- 2.4 This will allow the Council to retain more flexibility in the way the properties are used and managed.
- 2.5 The rents for the above units will follow the requirements as set out in the Policy Statement on Rents for Social Housing as set out by the Ministry of Housing Communities and Local Government. All tenancies will be let on short term tenancy agreements whilst we work with the tenant to seek suitable alternative longer term accommodation.
- 2.6 When buying the properties, the Council will prioritise Croydon and the surrounding areas, to meet the needs of local residents. All properties procured are assessed under the Housing Health and Safety Rating System (HHSRS) prior to letting. This identifies risks and hazards to health and safety. All properties will have a smoke alarm installed, and properties with solid fuel will also have a carbon monoxide alarm as standard. This is a continuation of the Council's excellent record on fire safety; making sure that residents are kept safe.
- 2.7 As part of the Council's wider proposals for increasing housing supply it is also proposed to acquire 10 properties for use by Key workers at a discounted rental at a level of 80% of market rent in the area as part of a pilot scheme. The need for good quality accommodation at more affordable rents has been identified as one of the issues in attracting and retaining staff to key roles within the Council and it is hoped that this pilot scheme will help to secure new staff to these roles

### **3. DETAIL**

#### **Temporary Housing Supply**

- 3.1 The Council has already undertaken two successful property purchase programs: ETA 1 which involved purchasing 96 homes comprising of mainly 2 and 3 bedroom properties and ETA 2 which acquired 254 properties (118 x 2 bed, 127 x 3bed, 9 x 4+ bed).
- 3.2 There has been considerable growth in the temporary accommodation budget over the last five years. Nevertheless, the current projected overspend on temporary accommodation for 2019/20 is estimated to be in excess of £1m at the end of the financial year 2019/20 with an estimated 1,800 households in temporary accommodation subject to market conditions.

#### **Supply & Demand**

- 3.3 The prospect of increasing demand, changing landlord attitudes, high levels of unaffordability and competition from neighbouring authorities limits our ability to place households in suitable accommodation. The Council is at risk of becoming increasingly reliant on nightly charged rates for bed & breakfast

accommodation for a growing proportion of households, which is both unsustainable and is not a good option for the households placed there. There are also limits to the availability of emergency accommodation, which puts the council at risk of having to use commercial hotels in extreme circumstances. Placing families in emergency accommodation can be detrimental to their welfare and is therefore only ever used as a last resort.

- 3.4 The council has in recent years put in several measures to increase the supply of accommodation in the borough but, unfortunately, due to the increasing demand this has still not met the full level of demand coming through the door. Without providing further supply, the additional households would need to go into expensive emergency accommodation (EA) provision, unless alternative TA or private rented sector (PRS) housing could be sourced. Even though additional resources have been deployed to increase the supply of TA and PRS accommodation, the Council is still falling short of the level of demand. Table 1 below shows the projected demand for 2019/20 and future years. In addition to the financial benefits, the provision of good quality temporary accommodation owned and managed by the Council will provide a more stable and secure home for residents to improve their chances of securing a more permanent and long term housing solution.

**Table 1**

	2019/20	2020/21	2021/22	2022/23
LBC TA admission	233	241	250	241
LBC part 6 offer (to homeless household)				
Includes temp to perm	600	565	592	586
Private sector	365	412	398	423
<b>TOTAL</b>	<b>1197</b>	<b>1218</b>	<b>1239</b>	<b>1250</b>
Homeless decisions	1995	2019	2059	2051
<b>Difference all decisions and supply (EA)</b>	<b>-798</b>	<b>-800</b>	<b>-820</b>	<b>-802</b>
Accepted	908	863	901	891
<b>Difference acceptances and supply (TA)</b>	<b>290</b>	<b>355</b>	<b>338</b>	<b>359</b>

- 3.5 The council has previously relied on the housing association sector to increase supply but the rate of new build affordable homes within the borough has declined significantly and there are significant constraints in accessing suitable accommodation in the private sector. The Council have already undertaken a number of initiatives to help meet this shortfall in supply. It has entered into a number of long term leasing arrangements for modern accommodation at low rents such as at Windsor, Concord and Sycamore House. Through the Brick by Brick model, the Council is also enabling the delivery of more good quality new build affordable housing, of which 50% being affordable homes. This is helping to meet some of the demand for affordable housing both now and in the future.

However, it is recognised that there is still more to do to address an urgent current need and one of the quickest route to accessing suitable, affordable long term accommodation, as well as providing the council with a long term

asset and capital appreciation, is to build on the experience of the previous ETA schemes and look to purchase street properties.

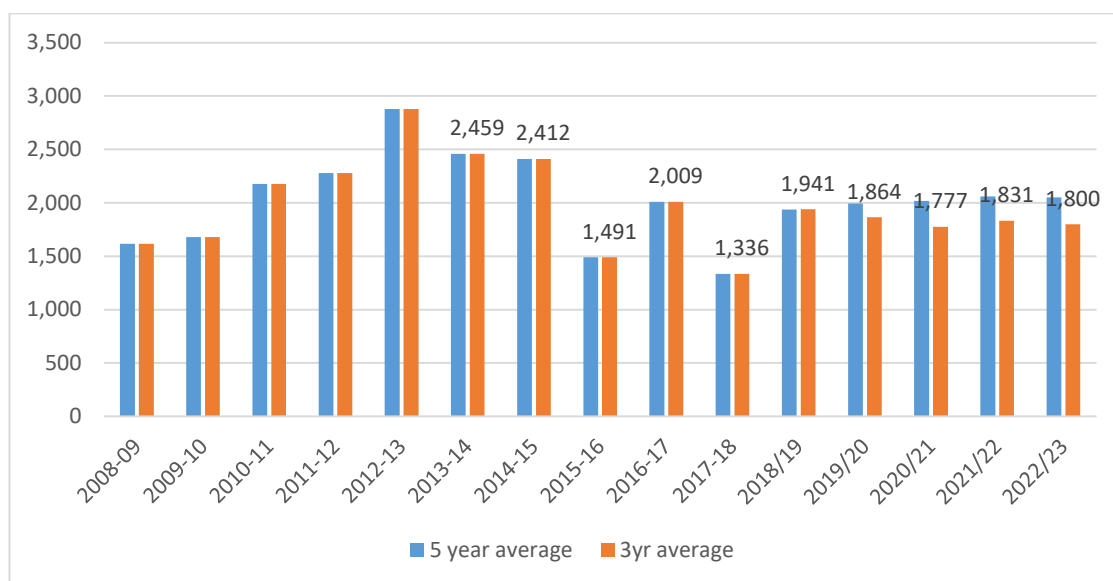
- 3.6 The baseline demand of existing households in emergency or temporary accommodation is calculated using current and future demand. In June 2019 the number of households in temporary accommodation was 2039. Based on an annual average demand of 3,100 new demand has been calculated to be an additional 809 households in 2019/20 rising to approximately 930 from 2020/21 onwards. The projected demand flow for 2019/2020 and the following year is shown in the table 2 below.

**Table 2**

	<b>2019/20</b>	<b>2020/21</b>
1 bedroom	1,370	1,370
2 bedroom	970	968
3 bedroom	663	658
4 bedroom	86	86
5 bedroom	11	11
<b>Total</b>	<b>3,100</b>	<b>3,093</b>

- 3.7 In looking at the current financial position, it is important to note that the demand for temporary accommodation remains high as the number of households applying as homeless (i.e. homeless applications requiring a decision). Graph 2 below shows demand increased between 2008/09, and 2014/15. Although there was a reduction in 2015/16 to 1491 households this was mainly due to conversion of temporary accommodation to secure accommodation. Moving average projections of data going back 3 and 5 years show the number of applications could settle between 2,051 and 1800 by 2022/23.

**Graph 2**



- 3.8 As a result of the above the Council needs to procure and sustain at least the current levels of temporary accommodation to meet the demand. The additional units will free up units on long term temporary accommodation to reduce costs in emergency accommodation.

## **Proposal**

- 3.9 This report seeks agreement to an extension of the street house purchase programme for some 100 units. The outline process would be similar to the two previous schemes :

- The Council purchases the units in highest need which are 2 and 3 bedroom units with a 10% target for wheelchair accessible properties. Some 1 bed or 4 beds may be purchased as part of this process but this will be the exception.
- The Council completes any required repairs and refurbishment for the purchased properties.
- Based on previous activity, an average purchase price of £400k per property is assumed, subject to market conditions. This is the total average acquisition cost to include all fees, SDLT and repairs as well as the purchase price for the property
- The acquisition process will be run in house rather than via the use of third party agents to source the properties and carry out surveys etc
- Properties will be freehold or leasehold where the Council are already the freeholders (ie ex-social housing stock) or the freehold can be purchased as part of the transaction.
- RTB receipts should be used where possible for up to 30% of the cost.

- 3.10 In addition to the purchase price of the homes, the following additional costs will be included within the financial model:

- Operating and managing costs – covering the costs of regular maintenance and repairs, void reinstatement, major works, insurance and scheme management.
- Debt servicing and repayment costs – covering the costs of the interest cost of borrowing from the Public Works Loan Board
- Rental income – covering the net income resulting from charging the relevant social rents, less the assumed void period and a proportion for bad debt.
- Property insurance costs
- Internal officer costs for project management, surveys and acquisitions

- 3.11 As part of this acquisition process, it is recommended that particular consideration is given to how the council can maximise the potential of Brick by Brick properties to address affordable housing need, including the purchase of new intermediate and market homes where they offer the correct type of accommodation at a viable price. This would offer a number of significant advantages:

- Early acquisition of properties to allow savings to be captured asap



- The are new build properties which offer NHBC warranty certificates to cover any major repairs over the first 10 years and minimising maintenance costs over the medium to long term
- All statutory certification and documentation is available on completion
- SDLT would not be payable, saving between £15-£20k per property
- Further cost saving on survey fees
- Retains excellent quality new homes for Croydon residents
- Many homes are within our existing estates, offering economies of scale for housing and caretaking services

3.12 In addition, in the context of future projections of housing need, there is a need to add to the level of general needs affordable housing in order to ensure that that temporary accommodation is sustained at least at current levels. To help achieve this, it is recommended that the council continue to purchase new social/affordable rented properties being delivered by Brick By Brick properties at agreed rates. This will require further financial modelling to demonstrate the benefits, but it is currently proposed that rates of £275,000 for 1-2 bed and £375,000 for 3 bed properties are adopted. This would offer a number of clear financial efficiencies for the council as identified above, and help secure an ongoing supply of well designed, high-quality new build social housing for years to come.

3.13 The two phases of street purchase schemes under ETA 1 and ETA 2 have been successful in increasing supply of good quality affordable housing and easing the pressure on the temporary accommodation budgets. These two schemes have delivered 350 homes which have not only increase good quality of housing for homeless households but also contribute to the reduction of the budget deficit for temporary accommodation.

3.14 Data from supply and demand figures and on future projections clearly indicates that the demand for additional units still exists.

3.15 In summary the decision to purchase further street properties is likely to bring about the following benefits:

- More settled accommodation for families enabling them to plan long term lives and supporting the corporate plan objectives on affordable and increased supply
- Revenue savings compared to the cost of emergency accommodation and an overall reduction in temporary accommodation numbers.
- The Asset value of the stock will increase enabling the Council to consider to use equity in future years
- Increased housing supply at affordable levels for homeless households

3.16 The street property acquisition programme can generate tangible results within a matter of months and address demand in a way that allows Croydon to take control of their TA supply immediately. It also enables the Council to take a strategic long-term and flexible view of its affordable housing needs in a way that also delivers commercial benefits.

## **Key Worker Accommodation**

- 3.17 The Council are proposing to pilot an approach to addressing the recruitment and housing needs of keyworkers employed by Croydon Council through the acquisition of an initial 10 properties within the Brick by Brick Windmill Lane development in Coulsdon
- 3.18 The Council is currently faced with a challenge to recruit and retain some key workers, and in particular social workers within Early Help and Children's Social Care. Through acquiring good quality properties let at subsidised rents this will enable the Council to build a more attractive offer for existing and future key workers to help attract and secure suitable candidates by widening the potential pool from which the council can recruit from.
- 3.19 The proposal is for the properties to be purchased by the Council and held within the Croydon Affordable Homes portfolio. The properties will then be let on the following basis:
- The Council to retain 100% nomination Rights
  - Lettings to be on the basis of Assured Shorthold Tenancies (AST)
  - Eligibility will be based on Key worker status and also an income threshold
  - Rents will be charged at 80% of market rent which equates to approximately Local Housing Allowance levels. An additional payment for any service charges will be added onto the rent
  - Tenancies will be for an initial 12 month period with the right to renew for a further 12 months. Whilst it is likely that the tenancy will be extended for a further period, the housing needs and financial position will be assessed to consider any significant change in circumstances
  - If employment with the Council ceases, the Council will work with the tenant to consider the best housing solution moving forward and help them to secure alternative accommodation if necessary.
- 3.20 Whilst the demand for keyworker housing is uncertain at present, the Council will monitor the application of this strategy, and review its success in the coming year. The strategy may then be adapted to better meet keyworker needs in Croydon or alternatively the homes can be utilised for wider housing needs as the purchase price agreed would permit them to be let at affordable rents.
- 3.21 The Key Worker Policy is being finalised at the moment but it is intended that for the initial pilot, the keyworker group identified for these properties are Experienced Children's Social Workers working within either the Assessment or Social Work with Families Service as these teams have the higher rate of recruitment and retention issues.

## **4. CONSULTATION**

- 4.1 No consultation has been undertaken

## 5 PRE-DECISION SCRUTINY

- 5.1 The Housing Strategy, which covers the need and necessity to increase temporary accommodation has been considered by the Scrutiny process.

## 6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

### 6.1 Property Values for Temporary Accommodation

The Council's Asset Management team have assessed the likely market values of properties intended to be purchased under this scheme and have concluded that the rates adopted only need slight adjustment to those adopted under the ETA2 project as the market has remained fairly static over the period since these were originally set

The suggested figures are set out below and can be sustained by the current financial model.

Property Size	Property Value (including repairs) (£)	Legal Costs (£)	Survey Fees (£)	Stamp Duty (£)	Max total cost per home (£)
2 Bed	£360,000	750	1000*	18,800	380,550
3 Bed	£395,000	750	1000*	21,600	418,350
Average					399,450

\*Allowing for abortive fees

These estimates represent a blended average over the life of the scheme in order to provide the flexibility required to go to market (and take account of likely market movement over the predicted 12 month period for acquisitions). The Asset Management team will therefore be aiming to deliver properties at a lower cost in the early stages of the scheme. As a control, the project will commit to ensuring that the overall portfolio of properties purchased are within the parameters of the averages shown above (with authority to spend not permitted where a property value will cause this average to be exceeded).

Based on the demand requirements outlined above, the Council has decided that they will again focus on 2 and 3 bedroom homes as these offer the best social and financial impact. Not only do these often represent better value in terms of the capital outlay, but they would allow the council to reduce the number of 2 and 3 bedroom household in emergency accommodation (bed and breakfast). This can represent a bigger savings opportunity than 1 bedroom supply. As a rough guide the scheme would therefore be targeting an approximate 50% 2 bed and 50% 3 bed properties. In some circumstances the purchase of smaller (eg were this is part of a larger suitable block of properties) or larger properties may be considered under this programme if these are identified as part of the wider property search and offer value for money.

It is anticipated that each property will require an additional level of investment to bring them into usable condition.

An average allowance of £8,500 has been included for each property for repairs, where relevant.

A range of £2,000-2,500 has also been modelled to cover the cost of furnishing each new property.

The cost of delivering this programme of asset purchases at pace over the 12 months is expected to be £180k. This will allow the Council to appoint a dedicated surveyor to source and purchase the properties required, a project manager and cover the cost of building surveys. An alternative approach would be to commission an organisation on a risk/reward basis to identify the properties and support the acquisition process but this would be significantly more expensive.

The estimated cost of the total programme, included purchasing the homes, will be approximately £40m.

This investment would be funded through HRA borrowing (£28m) and RTB receipts (£12m)

#### **6.1.1 Revenue and Capital consequences of report recommendations**

The Financial calculations have been undertaken adopting the following assumptions:

Number of properties	100
Purchase costs inclusive of fees	£40m
RTB Funding	£12m
PWLB Borrowing Rate	2.0%
Management per unit	£1,000pa
Maintenance per unit	£1,000pa
Life Cycle per unit	£500
Insurance per unit	£350pa
Void Rate	3%
Bad Debt Provision	3%

<b>100 properties acquisition Annual revenue cost estimation</b>	<b>£'000</b>
Rental income	- 604
Voids	18
Net rent	- <b>586</b>
Management	100
Repairs and Maintenance	100
Insurance	35
Bad Debt Provision	18
Interest on borrowing	560
Life Cycle Provision	50
Net costs	<b>863</b>
Overall estimated annual cost	<b>277</b>
Annual unit cost	<b>2.77</b>
Annual estimated unit cost of temporary accommodation	<b>3</b>

### 6.1.2 The effect of the decision

Subsidising the cost of purchasing the properties using right to buy receipts reduces the borrowing costs associated with the scheme. The PWLB recently announced a reduced rate of borrowing for schemes relating to social housing, which is of financial benefit to the Council.

As these properties will be used in place of temporary accommodation, the table above shows that the costs make this a comparable solution. Furthermore, purchasing properties will increase the stock within the Housing Revenue Account and give the Council flexibility to use the properties for longer tenure accommodation in the future, if priorities change.

Under the new Policy Statement for Rents for Social Housing an annual inflationary increase in income equivalent to CPI +1% is permitted which will reduce the annual shortfall over time and further increase the savings against current average temporary accommodation costs.

### 6.1.3 Risks

It is important to acknowledge that the Scheme is not without risk. It will require careful and close management, particularly during the initial investment and

operating period. However, the experience gained through the two previous schemes will help reduce the risk and careful and close management, particularly during the initial investment and operating period will greatly reduce any risk.

The criteria detailed in the earlier sections of this report will help ensure the correct properties are purchased to meet the needs of the homeless families. The proposed portfolio distribution is based on an understanding of need and the investment criteria will focus on acquiring the right property at the right price.

It is anticipated that actual purchases will cover a range of values (both above and below the average price) and in order to allow the required flexibility for purchase by private treaty or at auction, it is recommended that delegated authority for individual purchases up to £425,000 is authorised to the Director of Housing and Social Investment. Actual values will be carefully monitored so that the cumulative totals do not exceed the above average purchase prices.

The average acquisition costs are based on the assumptions that:

- Properties are likely to be acquired within lower value areas and may include the purchase of former council owned properties;
- The houses will comply with any minimum space and other requirements associated with the provision of short term accommodation by a local authority;
- The properties will be in reasonable order requiring only minimal decoration and maintenance to reduce cost and delay to occupation;
- Freehold properties are preferable
- Property selection – acquisition and renovation costs – the costs of purchase have a significant and long term impact on the Scheme as they affect the borrowing requirement. The investment strategy needs to create an incentive to control costs and ensure value for money, both for the initial purchase and on-going costs, such as linking renovation payments to the estimates in the condition surveys.
- Scheme losses (actual and perceived) - rental income alone from the tenants of the properties is insufficient to cover the debt payments and the running costs (management costs, day-to-day repair costs, void losses, bad debt losses etc). The Scheme's impact on avoiding or reducing the use of emergency nightly charged for accommodation needs to be accounted for if it is to be seen as being self financing. Even then the council needs to be aware that the initial years are likely to see some small in-year losses although the cumulative net position remains positive.
- Properties being void for periods after being available - properties that stand empty after handover to the Council will result in a loss of available income and a loss of cost avoidance. The model is therefore sensitive to an increase in void periods which will require effective processes and systems to ensure households are placed efficiently.
- The costs assume an interest only payment on the PWLB borrowing and the rate has adopted the reduced level announced in the Budget statement from 11<sup>th</sup> March and therefore is subject to further details being released and could be varied to reflect the more detailed provisions as released. The Council is however exposed to any future increases in borrowing.

It should also be recognised that the scheme only works within the financial parameters set and therefore any fluctuation in the market value of property in Croydon may reduce/increase the number of properties that can be purchased within the parameters of the proposed funding envelope or reduce the financial benefit achievable. However, based on earlier programmes this is likely to be manageable within the 12 month programme.

Similarly, the scheme is dependent on the Council being able to readily identify available properties that meet the requirements of the housing service and purchase them at sufficient pace to deliver the identified revenue savings as soon as possible. If the housing market slows for any reason, vendors may not be incentivised to sell.

#### **6.1.4 Options**

Even with the proposals set out in this paper it is unlikely that the Council will be able to meet anticipated need. In these circumstances there are only two other short term options:

- Use of Bed and Breakfast accommodation: the supply of self-contained accommodation is heavily constrained and the Council are in strong competition with other boroughs. This is likely to result in limits on availability and upward pressure on pricing.
- Increase the rates the Council is prepared to pay for private sector accommodation – the Council will continue to seek to be competitive in attaining private sector accommodation; however, the experience of the last eighteen months suggests that supply will continue to be constrained.

It is therefore likely that in addition to the ETA scheme, the Council will continue to consider other options including:

- seek to prove accommodation through long leases. These provide less flexibility and more uncertainty over the financial performance over the medium to long term but there are a number of schemes of this nature being offered to the Council
- new build schemes could provide a solution (as demonstrated through the proposal to purchase some of the housing through Brick by Brick developments) but most of these options will be for much larger schemes of high rise developments which provide less suitable accommodation

In addition to this Scheme, as indicated above, there are a number of options and it is likely that a portfolio of provision will be developed that will combine use of the Council's own stock, private leasing, direct relationships with private landlords, privately financed provision, new build and self-contained Bed and Breakfast. The principal aim will be to reduce significantly the use of shared Bed and Breakfast.

#### **6.1.5 Future savings/efficiencies**

The Council will continue to seek ways to reduce the cost of providing emergency and temporary accommodation in order to reduce the budgetary pressures. The Council's incoming housing strategy will enable the Council to

make longer term decisions linked to supply across various service needs, which should be more cost effective.

To reduce the costs of running these additional properties, they will be maintained as part of the same arrangements as the wider HRA stock.

Approved by Lisa Taylor, Director of Finance, Investment and Risk and S151 Officer

## **6.2 Property Values for Key Worker Homes**

The Head of Asset Management has assessed the open market value of the 10 units identified within the Windmill Lane development in Coulsdon and secured a discount on the collective purchase of these units from Brick By Brick. The discount achieved will enable these homes to be let at 80% of the local market rental values

The agreed purchase price and details of the discount are set out in the part B Paper.

### **6.2.1 Revenue and Capital consequences of report recommendations**

The purchase will secure 10 homes for use as key worker housing at discounted rents which will be held in the General Fund and managed through Croydon Affordable Homes. They will therefore be purchased by borrowing through the General Fund rather than HRA.

The homes will offer good quality accommodation at lower rents as part of the recruitment package for Key Workers. The discounted purchase price will allow them to be let at a discounted rent of 80% market value and the rental income will cover the cost of purchasing the properties and to cover ongoing management and maintenance as set out in the Part B paper. Whilst not offering a significant financial saving, the offer of these homes will help to recruit and retain key workers and therefore reduce the churn costs associated with the staff turnover. The purchase of a new property has the benefit of a 10 year NHBC certificate to cover any major defects and given the new status of the properties and the type of occupiers, repair and maintenance costs in the medium term will be considerably less than more traditional housing stock or street properties.

### **6.2.2 The effect of the decision**

The Financial position has been calculated adopting the assumptions detailed below:

Assumptions:

Number of properties	10
RTB Funding	£0m
PWLB Borrowing Rate	3.0%
Management per unit	£400pa – lower due to nature of tenancy
Maintenance per unit	£500pa – Lower as new property



Life Cycle per unit	£250pa – this reflects the purchase of new properties from BBB
Insurance per unit	£350pa
Void Rate	5%
Bad Debt Provision	0%

The costs assume an interest only payment on the PWLB borrowing

The various allowances have been amended to reflect the longer term nature of the lettings which should lead to less management input and lower statutory and general repair costs. The fact that the properties are new will considerably reduce the life cycle costs

<b>10 Key Worker properties acquisition Annual revenue cost estimation</b>	<b>£'000</b>
Rental income	- 107
Voids	5
Net rent	- <b>102</b>
Management	4
Repairs and Maintenance	5
Insurance	4
Bad Debt Provision	-
Interest on borrowing	80
Life Cycle Provision	3
Net costs	<b>95</b>
Overall estimated annual cost	<b>-7</b>

### 6.2.3 Risks

Consideration has been given to the financial risk in the case that the anticipated target tenants fail to take up the units. The Key worker Policy being developed by the HR team will set out a list of Key Worker roles that will be eligible for these units and therefore they could be offered to a wider spectrum of key workers

There is not considered to be any other risk associated with the purchase of the properties. At the point of purchase the properties will be completed and detailed due diligence checks undertaken (to include Building Control, gas, electric and NHBC certification). It has also been demonstrated that the purchase price, offers value for money.

#### 6.2.4 Options

The Council could reject the purchase of these Homes and allow BBB to sell them to the market in due course or look for alternative properties.

Alternative properties could also be considered but the proposed homes offer good quality brand new accommodation at a realistic price and are available within the required timescales. The purchase through BBB also offers additional cost savings as against private purchases as they will be exempt from the payment of Stamp Duty Land Tax.

#### 6.2.5 Savings/ future efficiencies

The proposed acquisitions will allow discounted rents to be offered to Key Workers at no cost to the Council

Approved by Lisa Taylor, Director of Finance, Investment and Risk and S151 Officer

### 7. LEGAL CONSIDERATIONS

7.1 The Director of Law and Governance comments that the recommendations set out in this report are within the powers of the Council.

7.2 Of particular relevance are the following provisions:

- Section 8 of the Housing Act 1985 and Part 7 of the Housing Act 1996 under which the Council is required to consider housing conditions and needs within the Borough including addressing homelessness. Providing accommodation which helps discharge this duty can be via an LLP set up by the Council. This duty can be discharged.
- Section 120 of the Local Government Act 1972, under which the Council has the power to acquire land to enable the fulfilment of its functions (in this case housing functions)
- Section 12 of the Local Government Act 2003 and the Council's powers to invest for any purpose relevant to its statutory functions or for the purposes of prudent management of its financial affairs.

Approved by: Sean Murphy, Director of Law and Governance and Deputy Monitoring Officer

### 8. HUMAN RESOURCES IMPACT

8.1 There are no Human Resources impacts as a result of this report

Approved by: Sue Moorman Director of Human Resources

## **9. EQUALITIES IMPACT**

- 9.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must have due regard to the need to comply with the aims of the general equality duty. The Council uses equality analysis as a tool to assess the possible impact of changes on different groups of people, evidence how we arrived at decisions that affect council staff, local people who use our council services and the wider community and help us to comply with the requirements of the Equality Act 2010.
- 9.2 The range of solutions being developed will impact positively upon homeless families in reducing the amount of time spent in bed and breakfast and move them to more suitable forms of self contained temporary accommodation.
- 9.3 An Equality Analysis has been undertaken to ascertain if the proposed change will have an impact on groups that share protected characteristics. This found that the change will have a positive impact on groups that share protected characteristics as it will provide temporary accommodation for homeless families and offer more secure and better quality homes. This will help the council to meet its equality objective to 'increase the support offered to people who find themselves in a position where they are accepted as homeless especially those from BME backgrounds and women'. The provision of the Key worker accommodation will not specifically benefit any group in particular but will help to retain staff to deliver services to vulnerable elements of the community and therefore indirectly assist with positive impacts to a variety of groups
- 9.4 This initial assessment has identified that BME, female headed and younger households are over-represented among homeless households and so will benefit from this proposal.  
The proposal does not detrimentally affect any households from protected groups or disproportionately affect them compared to other groups.  
We will continue to monitor outcomes in terms of the make-up of homeless households

Approved by: Yvonne Okiyo Equalities Manager

## **10. ENVIRONMENTAL IMPACT**

- 10.1 No specific adverse environmental effects have been identified as part of this process and in many cases the acquisition of street properties by the Council will lead to an improvement in energy saving measures. Where the Council is purchasing new build properties these will have been constructed in line with current Building Regulation requirements and are therefore more efficient than most of the existing social housing stock.

## **11. CRIME AND DISORDER REDUCTION IMPACT**

- 11.1 No specific crime and disorder impacts have been identified as a result of this scheme.

## **12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 12.1 Local authorities are required to provide accommodation to homeless households in accordance with the provisions of Part VII of the Housing Act 1996.
- 12.2 The purchase of homes for emergency and temporary will help meet these requirements and reduce the Council's reliance on Bed and Breakfast type accommodation and provide better quality homes for homeless families as well as revenue savings. These homes will also help to provide housing solutions for the next step for families and a more settled home environment with the many benefits that has to offer.
- 12.3 The provision of Key Worker homes will help the recruitment and retention of staff in roles that are currently difficult to recruit to and are essential for the delivery of good quality services

## **13. OPTIONS CONSIDERED AND REJECTED**

- 13.1 The Council has already considered and entered into a number of different housing solutions to address the need for temporary and emergency accommodation and continues to review options.
- 13.2 These have included taking leases, typically for 40 years with rents below Local Housing Allowance levels but subject to RPI increases. At the end of the 40 years the Council can acquire the properties for £1. A number of these schemes are currently being reviewed to assess their cost effectiveness against the model proposed in this report. These schemes may have a future place in proving this type of accommodation but do not offer the overall flexibility that straight purchase of homes has to offer.
- 13.3 An alternative model is to purchase "off plan" from developers who already have a site and planning consent to construct a number of homes. Many of these schemes include a significant (100 plus) number of homes in high rise blocks. These are not considered to offer the most appropriate accommodation for emergency accommodation that often involves families and therefore these are not being taken forward at presesnt. However, lower density schemes offering a variety of housing types in low to medium rise developments could provide appropriate accommodation. As there are no schemes of this nature currently in the process of development, any such opportunity would not allow the immediate need to be met.
- 13.4 The two previous Emergency and Temporary Accommodation (ETA) projects have been completed and successfully delivered 350 street properties and therefore it can be demonstrated that this model can provide a quick solution to the provision of good quality and varied homes for families and meet the current demands
- 13.5 The purchase of the Key Worker homes is a new initiative to help address the difficulties the Council has experienced in recruiting to some key roles. Various solutions are being considered to help attract the right personnel for these jobs

including looking outside of the local area and therefore the provision of good quality accommodation at a discounted rent as part of the package will assist this process and help secure the most suitable candidates.

#### **14. DATA PROTECTION IMPLICATIONS**

##### **14.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

Yes

As the purchases will involve buying homes from private individuals it will involve the processing of personal data but only to the extent that this will be available within the public domain through Land Registry records as each purchase will have to be registered and the details available for public access.

##### **14.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

**NO**

Approved by: Steve Wingrave on behalf of the Director of Housing and Social Investment

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<b>CONTACT OFFICER:</b>	Steve Wingrave, Head of Asset Management and Estates ext 61512.
<b>APPENDICES TO THIS REPORT:</b>	None
<b>BACKGROUND PAPERS:</b>	Equalities Analysis Form