



Report for: Cabinet

Date of Meeting:	14 March 2024
Subject:	Extension to the Property Acquisition Programme
Key Decision:	Yes
Responsible Officer:	Dipti Patel Corporate Director Place David McNulty Director of Housing
Portfolio Holder:	Councillor Mina Parmar Portfolio Holder for Housing Councillor David Ashton Portfolio Holder Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets out a proposal to extend the Property Acquisition Programme (PAP) to purchase up to 50 additional properties to be used as temporary accommodation (TA) as an alternative to expensive Bed & Breakfast (B&B) accommodation. To acquire up to 50 properties in 2024/25 and 2025/26, with a total estimated capital cost of £20.62m.

Recommendations:

Cabinet is requested to:

1. Delegate authority to the Corporate Director Place, following consultation with the Portfolio Holder for Housing and the Portfolio Holder for Finance and Human Resources, to acquire up to 50 additional properties on the open market to provide temporary accommodation, at a maximum cost of £20.62m to include the purchase price, all costs associated with the acquisition and initial repairs and refurbishment.
2. Authorise the Corporate Director of Place, following consultation with the Portfolio Holder for Housing and the Portfolio Holder for Finance and Human Resources, to negotiate the purchase of properties at a reasonable price given the prevailing market conditions at the time of purchase, supported by a valuation report.
3. Delegate authority to the Director of Housing Services, following consultation with the Portfolio Holder for Housing, to determine the most efficient way to manage the property acquisition programme and invite and evaluate quotes and tenders and award contracts for any services, including repairs and maintenance contracts, necessary for the programme within the agreed budget.

Reason: To extend the Property Acquisition Programme to provide additional local, good quality TA and deliver additional Bed and Breakfast cost avoidance in line with the approved budget and MTFS.

Section 2 – Report

Introductory paragraph

It is a key council priority to be a place where those in need are supported, including making a difference to vulnerable households and families in Harrow. This report proposes to do this by increasing the supply of affordable housing to meet households' needs, which the Council has accepted a duty to house. The decision being sought, to extend the Property Acquisition Programme, will deliver additional good quality local Temporary Accommodation to homeless households, including families, as an alternative to Bed and Breakfast (B&B) accommodation.

Options considered

The council is using expensive B&B accommodation as TA for increasing numbers of families, which is of a lower quality than self-contained flat or house. Therefore, options to increase the supply of TA as an alternative to expensive B&B accommodation have been considered.

These are:

1. Through the Council's Help2Let scheme we work with landlords to increase the number of privately rented properties available to households in housing need. This includes offering incentives and payments to privately leased properties, as well as grants to enable landlords of empty properties to bring properties up to a lettable condition in return for nomination rights. However, due to the overall shortage of supply it is becoming increasingly difficult to source private rented properties locally and on current projections we do not consider these options alone will be sufficient to meet demand and reduce reliance on expensive B&B accommodation.
2. Purchase and letting of additional properties. This option has the advantage of providing a new and secure supply source of TA and can be relatively quick to implement.
3. Building temporary recyclable homes on vacant council land. This option relies on finding suitable land which would need to be provided at no cost. It will take time to implement as planning permission etc would be required similarly to building permanent housing.
4. Continue to use B&B accommodation which is costly to the Council.

This report presents the business case to proceed with option 2 to purchase additional properties for letting as Temporary Accommodation.

1. Background

- 1.1. The provision of temporary accommodation is currently the highest spending area of Housing Services. Based on the net number of people entering and leaving temporary accommodation per year, if there is no change in current practices the number of households in temporary accommodation will continue to grow.
- 1.2. Temporary accommodation supply is becoming increasingly difficult to source to meet demand, as private sector rents increase, and a number of factors are causing landlords to cease to provide accommodation for rent. These changes have had a big impact on the Council's ability to retain existing temporary accommodation. Landlords and agents through whom the Council leases its TA are actively seeking rent increases on their properties, and some have requested their properties back. Housing Benefit rules require that the Council can only charge a rent equal to 90% of the 2011 Local Housing Allowance rate. This means that there is a shortfall between the rent that will be paid to landlords and the rent the Council receives from the tenant, with the balance being borne by the General Fund.
- 1.3. In all London boroughs average rents are now higher than pre-pandemic levels, with fewer landlords willing to rent properties at Local Housing Allowance (LHA) rates. This creates a funding gap that will only increase the top up borne by the council unless new ways of funding and delivering services are put in place. Acquiring our own stock will enable us to reduce costs by having greater control over setting rents at the current LHA.
- 1.4. This will increase the supply of properties that can be used to move people out of costly temporary accommodation thereby avoiding the top up borne by the Council.
- 1.5. The Council has submitted a funding bid of £85,000 per property to the GLA's Council Homes Acquisition Programme for a total of £4.25million. If successful, the capital investment required will reduce from £20.619m to £16.369m. This would also result in a reduction of the capital financing costs.
- 1.6. Applications for further funding bids such as the third round of the Local Authority Housing Fund (LAHF) will be made when the opportunity arises, and the business model will be updated.
- 1.7. The Property Acquisition Programme (PAP) was first introduced in 2015/16 and a summary of all previous PAPs is provided below.

Programme	Year	No. of Properties acquired	Capital Budget	Interest rate applied
PAP 1	2015-2019	100	£30m	2.75%
PAP 2	2019-2021	42	£15m	3%
PAP 3	2021-2022	16	£8.5m	3%
PAP 4	2022-2023	13	£5.95m	3%

1.8. The ongoing PAP 5 23/24 initiative started in September 2023 to acquire 16 homes. Currently, 11 properties, a combination of 2-bedroom and 3-bedroom homes, are in the process of acquisition. Three have been completed, while offers for 8 others are accepted and are in advanced stages. Efforts are actively underway to agree and finalise offers for the remaining 5 properties. The funding source is a mixture of Harrow Capital of £5.95m and Local Authority Housing Fund 2 (LAHF) of £1.748m.

2. Current situation

- 2.1. There are currently over 1100 households in temporary accommodation, with an increase in the use of nightly paid and B&B accommodation. Some homeless households are offered accommodation outside of London due to the shortage of local affordable housing. There are 367 households in B&B of which 4 households are in commercial hotels.
- 2.2. Due to the small social housing stock in the borough, Private Rented Sector accommodation (PRS) is the main housing solution. Loss of PRS accommodation is the most common cause of homelessness in Harrow.
- 2.3. Changes to the welfare provision have reduced the degree of support available to households reliant on Housing Benefit to pay for all or some of their rent.
- 2.4. The benefit cap restricts the overall rent support a household can receive.
- 2.5. In April 2024, the LHA will be reset to match the 30th percentile of local rents in September 2023 – an average rise of 16 per cent across Broad Rental Market Areas (BRMAs), equivalent to £25 per week – meaning that the cheapest 30 per cent of rents in an area should be affordable to people claiming Universal Credit. The Localism Act introduced an option for local authorities to discharge their duty to homeless households through the offer of a 12-month tenancy in the Private Rented Sector (PRS) - thus increasing demand for PRS in the

borough and giving Private Sector landlords power to demand higher rents/incentives for tenants to remain.

2.6. The Homelessness Reduction Act 2017, which came into effect from 3 April 2018, imposes responsibilities on local authorities to take more preventative actions when dealing with those at risk of becoming homeless.

3. This report presents the business case to proceed with option 2, to purchase additional properties for letting as TA with a budget of up to £20.619m. It offers the following benefits:

3.1. It increases the supply of TA stock within the borough and reduces the uncertainty of availability. We will be less reliant on the vagaries of supply in the private rented market.

3.2. It is a far better-quality housing solution to B&B for families in housing need, providing good quality housing in Harrow.

3.3. It delivers a substantial cost avoidance on projected B&B costs.

3.4. It is a relatively quick option to deliver. The programme assumes 25 properties in the next two years. We will launch the programme to leaseholders and if we receive a positive response with a large number of properties the programme will be accelerated to reduce B&B costs quicker.

3.5. There will be long-term capital asset value which can be realised in future years for the ultimate benefit of the Council.

4. Why a change is needed.

4.1. Analysis shows that the most expensive form of TA to the Council is commercial hotels and nightly lets.

4.2. In 2023 the average cost per day for commercial hotels was £241.18 and £47.48 for nightly lets. This equates to approx. 25% of the total cost of TA in 2017/18. The Housing Benefit subsidy system discourages the use of B&B emergency accommodation by limiting the recoverable subsidy payments. Less Housing Benefit subsidy is receivable for larger families.

4.3. Based on the pressures detailed above, it is clear that demand will continue to outstrip supply and the Council needs to find an alternative to TA supply to mitigate the cost of expensive B&B accommodation and minimise the financial impact to the wider Council. Having control of TA through ownership of the 100 homes has improved our position alongside the use of Council stock, hostels, and Housing Association Leasing Schemes.

4.4. The additional properties will be purchased in Harrow.

4.5. The properties will be managed in-house as TA within the Housing Needs team.

5. Implications of the Recommendation

Costs and financial modelling

- 5.1. Based on financial modelling assumptions of all 50 properties being acquired and being operational from year 1 (2026/27) gives a net annual cost of £443,676 compared to a cost of £733,321 for B&B (net of Housing Benefit). There is a cost saving of £289,645 in year 1. The reduction of cost by using the PAP properties instead of B&B increases each year and by year 8 the cost reduction is estimated to be £451,675.
- 5.2. The net annual cost of £443,676 for the 50 PAP properties is arrived at by taking year 1 net rent (less voids) income is (£918,692). Operating costs of £228,325 which assumes deductions for management and maintenance, major repairs and headlease charges. The Net rent income after costs is (£690,367). Capital Financing costs required for borrowing funds to acquire the PAP properties is £1.134m.
- 5.3. Rental income is based on charging the rents at the updated Local Housing Allowance rate that applies from the 1 April 2024. There is a void allowance of 7% but properties acquired will need to be operational as soon as possible to reduce the numbers of households in B&B. Delays in the properties being available for use will result in pressures on increased numbers placed in B&B and higher overall temporary accommodation costs. The capital financing charge assumes MRP over 50 years with interest at 3.5% charged which gives an annual cost of £443,676.
- 5.4. The MTFs assumes savings of £1.134m to cover the £20.619m borrowing capital financing costs. This will be over 2 years £543,015 in 2025/26 and a further £591,030 in 2026/27. The properties will all be held in the Council General fund for temporary accommodation use so no Housing Revenue Account (HRA) capital receipts funding is applicable.
- 5.5. Grant funding of up to $50 \times £85,000 = £4.25m$ has been applied for from the GLA which if successful would reduce the amount of borrowing and resulting capital financing costs required by the Council improving the business case further.
- 5.6. The Council is expecting to receive an indicative allocation from the Department for Levelling Up and Communities for property acquisitions which was announced in the Autumn Statement. The specific conditions and amounts are not known at this stage but if this settlement is more generous than any GLA grant the Council will look to maximise the number of new homes delivered under the programme while minimising borrowing costs within the overall envelope agreed £20.619m.

Staffing/workforce

The costs of an additional officers to acquire the properties, together with administration support and management costs are factored into the business plan assumptions.

Ward Councillors' comments

Affects all wards.

Performance Issues

Homelessness numbers remain high due to the crisis in housing availability in Harrow and the wider region; although the council is still performing well in terms of prevention, the unprecedented demand and supply situation meant there were still 358 households (88 shared and 270 self-contained) in B & B at the end of December 2023 in comparison with 164 households (48 shared and 114 self-contained) at the end of March 2019, presenting significant challenges to the council in meeting our statutory duty and in meeting the council's objective of protecting the vulnerable and families.

Environmental Implications

Improvements will be made to the properties acquired under this programme to bring them up to the Decent Homes standard. Works may include the replacement of boilers with energy efficient models where necessary to meet current regulations.

Data Protection Implications

There are no GDPR implications associated with this proposal.

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **Yes**

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
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Unable to source a suitable supply of properties at the target prices to purchase in Harrow	Areas close to, but outside, Harrow to be considered.	AMBER
Property Acquisition scheme revenue costs prove to be more expensive than B & B, as a result of changes in the Housing Benefit subsidy which may reduce the amount of subsidy payable on the assumed rental income.	Dispose of properties and offset with capital growth or flip to market private rent.	GREEN
Proposed legislative changes to be introduced by the Government	Lobbying with other local authorities (e.g. London Councils), ultimately properties can be sold or turned to market private rent if absolutely necessary	GREEN
Reputational risk and resistance from homeowners	Target purchase of ex LA properties, avoid over concentration in particular streets/areas and procure over a 2-year period.	GREEN
House Price inflation lower than modelled	This will not affect the projected revenue savings but would reduce the projected capital growth. It is unlikely there will be zero house price inflation over the life of the business plan.	GREEN
Interest Rate increases	Interest rates charged for the capital financing is 3.5% over 50 years. This internal rate used is not expected to change. Additionally grant funding applied for from the GLA. If approved this would reduce the amount of borrowing required by the Council thus lower the overall cost of interest rates	GREEN
Delays in PAP use once purchased	Ensure properties are pre inspected and works specified before completion and ensure an Operating Level Agreement is in place with the internal voids team for 28 days.	GREEN
Repair, Maintenance and Major works cost increases	Inflation on the cost of materials and fulfilling required work would increase overall costs. The operation costs include an annual allowance or sinking fund to be built up to meet these costs.	GREEN
Extended time conveyancing times may deter vendors	Internal legal conveyancing teams being lined up and co-ordinated to deliver at pace.	AMBER

Procurement Implications

The purchase or sale of a property, interest in land, transaction in land and or lease transaction are out of scope of the Contract Procedure Rules. but this must be authorised in accordance with the requirements set out in the Constitution and, specifically, the Management of Asset, Property and Land Rules.

Any other aspect of these recommendations that require procurement will follow the council procurement procedures to ensure compliance and value.

Legal Implications

Part 7 of the Housing Act 1996 imposes statutory duties on the Council to provide temporary accommodation to homeless applicants in a number of situations. These include when it is assessing a homeless application of a person who it has reason to believe may be eligible for assistance, may be homeless and may be in priority need and when it has completed an assessment and concluded that an applicant is owed the full housing duty.

Section 206 Housing Act 1996 states that a local housing authority may discharge their housing functions under Part 7 of the Act only in the following ways—

- (a) by securing that suitable accommodation provided by them is available,
- (b) by securing that he obtains suitable accommodation from some other person, or
- (c) by giving him such advice and assistance as will secure that suitable accommodation is available from some other person.

Section 208(1) Housing Act 1996 provides that so far as reasonably practicable a local housing authority shall in discharging their housing functions under Part 7 of the Act secure that accommodation is available for the occupation of the applicant in their district.

Section 210(1) states that in determining whether accommodation is suitable for a person, the local housing authority shall have regard to Parts 9 and 10 of the Housing Act 1985 (slum clearance and overcrowding) and Parts 1 to 4 of the Housing Act 2004 (houses in multiple occupation). The Secretary of State may, by order, specify circumstances in which accommodation is or is not to be regarded as suitable for a person, and matters to be taken into account or disregarded in determining whether accommodation is suitable for a person.

The Secretary of State has done so by the following Orders:

- Article 2 of Homelessness (Suitability of Accommodation) Order 1996 provides that in determining whether accommodation is suitable for a person there shall be taken into account whether or not the accommodation is affordable for that person. Articles 3 & 4 of the Homelessness (Suitability of Accommodation) (England) Order 2003 provide that B & B accommodation is not to be regarded as suitable for an applicant with a family except where no accommodation other than B & B accommodation is available for occupation and the applicant

occupies B & B accommodation for a period, or a total of periods, which does not exceed 6 weeks.

- The Homelessness (Suitability of Accommodation) (England) Order 2012 states that in determining whether accommodation is suitable for a person, the local housing authority must take into account the location of the accommodation, including—
 - (a) where the accommodation is situated outside the district of the local housing authority, the distance of the accommodation from the district of the authority;
 - (b) the significance of any disruption which would be caused by the location of the accommodation to the employment, caring responsibilities or education of the person or members of the person's household;
 - (c) the proximity and accessibility of the accommodation to medical facilities and other support which—
 - (i) are currently used by or provided to the person or members of the person's household; and
 - (ii) are essential to the well-being of the person or members of the person's household; and
 - (d) the proximity and accessibility of the accommodation to local services, amenities and transport.

The Department of Communities and Local Government has also published Supplementary Guidance on the homelessness changes in the Localism Act 2011 and on the Homelessness (Suitability of Accommodation) (England) Order 2012. The combined effect of the above homelessness legislation is that accommodation provided or arranged to meet a homeless duty must be affordable for the homeless applicant. Accommodation is not affordable if the applicant would require the local authority to contribute towards the cost of the accommodation. Where affordable accommodation is not available in the borough the local authority must provide affordable accommodation out of borough.

The Council can rely upon its investment powers in section 12 Local Government Act 2003 and upon section 120 Local Government Act 1972 to acquire these properties. Section 120 Local Government Act 1972 states that for the purpose of any of their functions under this or another other enactment, or the benefit, improvement or development of their area, a principal council may acquire by agreement any land, whether situated inside or outside their area. Further, the Council can rely upon those sections of the Housing Act 1996 referred to above to provide temporary accommodation.

S.149 Equality Act provides that the Council must, in the exercise of its functions, have due regard to the need to—

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Financial Implications

Council capital funding of £20.619m is available and GLA grant of £4.25m has been applied for and if successful this grant funding would reduce the amount of Council capital funding required. This reduced council capital borrowing would also result in the capital financing costs being less.

Financial monitoring of temporary accommodation cost savings resulting from acquiring the 50 properties will require continuous monitoring. This is to ensure costs avoided by using these properties instead B&B to meet homelessness needs can be used to offset the savings requirements in the MTFS. The savings target of £1.134m outlined within this report is over two years £0.543m 2025/26 and £0.591m 2026/27.

Equalities implications / Public Sector Equality Duty

The proposal is not expected to have any negative impact on any protected characteristics. The proposal is expected to have a positive impact on homeless households, including families. The proposal will assist the council in meeting the Public Sector Duty by advancing equality of opportunity, removing or minimising disadvantages, and taking steps to meet the needs of homeless households.

Council Priorities

The proposal meets the council's priority to be a place where those in need are supported. The proposal will provide additional good quality Temporary Accommodation to homeless households, as an alternative to expensive and unsuitable B&B accommodation. This will support vulnerable homeless households and families in Harrow whose housing needs cannot be met by the housing market.

Section 3 - Statutory Officer Clearance

Statutory Officer: Comie Campbell
Signed on behalf of the Chief Financial Officer
Date: 09.02.24

Statutory Officer: Amanpreet Lally
Signed on behalf of the Monitoring Officer
Date: 12.02.24

Chief Officer: Dipti Patel
Signed off by the Corporate Director
Date: 15.02.24

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 09.02.24

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 09.02.24

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqlA carried out: YES

EqlA cleared by: Jennifer Rock

Section 4 - Contact Details and Background Papers

Contact: Kulwinder Singh-Rai Kulwinder.singh-rai@harrow.gov.uk
Comie Campbell comie.campbell@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee: No