

Cabinet

8 April 2025

Temporary Accommodation Acquisition Programme – Delegated Authority for Bulk Purchases

Portfolio Holder: Councillor Louwella Prenter, Portfolio Holder for Housing and Homelessness

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Summary

On 16 January 2024 Cabinet recommended that £41,925,000 be added to the Capital Programme for the purchasing of Temporary Accommodation (TA) as well as taking on leases of properties for use as TA and the set-up of an internal lettings department. This was approved by Full Council on 24 January 2024.

Two opportunities to purchase large blocks of accommodation have been presented to the Development Team delivering the TA Acquisition Programme. This report seeks approval for a delegated authority to allow for the purchasing of these bulk properties.

1. Recommendations

1.1. The Cabinet is requested to agree to delegate authority to the Director of Place and Chief Operating Officer, in consultation with the Portfolio Holder for Housing and Homelessness to purchase bulk properties (Site A and Site B as set out in the Exempt Appendix 1) for use as Temporary Accommodation, subject to these being made within the existing budget agreed by Full Council on 24 January 2024.

2. Suggested reasons for decision(s)

2.1. Agreeing the recommendation above will enable the service to purchase bulk properties (large blocks of accommodation) for TA purposes, using the capital addition already agreed by full Council as set out above.

2.2. The acquisition of Site A and Site B (as per the Exempt Appendix 1) would provide a large proportion of the TA Acquisition Programme target of 150 homes, reduce budget pressures and further assist the Council in delivering its services to address demand relating to homelessness and temporary accommodation.

- 2.3. The current demand and cost for TA is significant and has already been identified as an identified budget pressure. This delegation will allow for negotiations to be finalised and the acquisition of these properties to be secured in a timely manner, without this in place there is a risk these acquisition opportunities will be lost.

3. Budget and policy framework

- 3.1. There is a statutory duty to rehouse homeless households found to be in priority need in line with part 7 of the Housing Act 1996 (as amended).
- 3.2. A Cabinet decision is required to put in place the requested delegated authority.

4. Background

- 4.1. On 19 January 2023 Full Council approved for £5,590,000 to be added to the Capital Programme (funded by prudential borrowing) to facilitate a pilot to purchase approximately 20 properties for use as TA.
- 4.2. On 24 January 2024 Full Council approved for £41,925,000 be added to the Capital Programme (funded by prudential borrowing) for the purchasing of approximately 150 homes for use as TA. A further Cabinet report was approved on 9 July 2024 to amend the delegated authority to purchase the properties to the Director of Place, in consultation with the Portfolio Holder for Housing and Property.
- 4.3. To date, 28 properties have been acquired through the TA Acquisition Programme. This includes 11 single properties (open market and buy backs), a block of 3 flats and a block of 14 flats (both new build turnkey). A further 39 acquisitions are currently approved and progressing through the legal process for acquisition.
- 4.4. Initial review and negotiations have taken place regarding two separate opportunities to purchase large blocks of accommodation, which combined would amount to a further 130 properties for use as TA. Further details of these sites are provided in the Exempt Appendix 1.

5. Options

- 5.1. Option 1 – To delegate authority for the purchase of bulk properties (as set out in the Exempt Appendix 1) for use as TA. This will allow for negotiations to be finalised and the acquisitions secured in a timely manner.
- 5.2. Option 2 – To not delegate authority for the purchase of bulk properties (as set out in the Exempt Appendix 1) for use as TA. This would cause delays and uncertainty with negotiations and risk the acquisitions being lost.

6. Advice and analysis

- 6.1. The advice and analysis set out in the original Cabinet report dated 16 January 2024 is still pertinent to this report and is set out in paragraphs 6.2 to 6.8 below, though relate to decisions already taken:
- 6.2. Over the next 30 years there is likely to be in excess of £200m gross spend on private units of temporary accommodation, all of this funding will leave the Council with no legacy or longer lasting benefit to the Council or its residents.
- 6.3. With the increasing need for temporary accommodation, it is predicted that by the end of 2023/24 there will be a need for over 500 units of private accommodation (currently 435, 19/11/23). It is therefore suggested that a combination of several options is considered. The recommendation is to provide 320 (20 already/in process of being purchased) of these units through options 2 and 3 and to prevent households coming through as homeless through option 4.
- 6.4. Option 1 – continue using privately rented accommodation.
 - 6.4.1. With the increasing demand on homelessness and the cost of temporary accommodation, continuing with this option will see an increase in costs for the service, causing the Council additional budget pressures. It is therefore not the recommended option.
 - 6.4.2. Nightly paid does however have limited overheads, no responsibility for repairs, voids or cleaning costs and there will still be a need for some spot purchasing of units on a nightly rate, so this will still be used as an option for temporary accommodation, but the plan is to reduce the need for this type of usage and for it not to be the primary usage.
- 6.5. Option 2 – Purchasing
 - 6.5.1. In January 2023 it was agreed through full Council to pilot the purchase of 20 units of temporary accommodation, with an estimated cost of £5,590,000. These funds have already been allocated to properties that have either already been purchased, are in the process of being purchased or are being considered for purchasing and as such further funding is required.
 - 6.5.2. Purchasing properties unlike nightly paid will require additional costs to be covered, such as repairs, asset replacement, servicing and cleaning. There are also purchase costs such as stamp duty (at a penalty rate), legal and surveyor's fees and works.
 - 6.5.3. Broadly, the cost of purchasing accommodation, repairing and managing it are more costly than commissioning from the private sector. However, the Council can generate more income from an owned property as there is no loss in subsidy. this would increase if the charging policy was updated to reflect higher costs of securing property.

6.5.4. The below table demonstrates the net costs for both privately renting and purchasing units of accommodation for 150 two-bedroom properties for a year. As there is a recharge for Housing Benefit for private nightly paid it is not possible to recover all the costs charged, which is why the income received is lower. However, as properties that are owned by Medway Council are not subject to the recharge, full costs can be recovered.

Type of property	Cost	Rent Charged	Income received	Total Cost
Private nightly paid	£2,682,750 (£49 PN average)	£1,431,924 (£183.58 PW)	£963,924 (£123.58 PW)	£1,718,826
Purchased property (borrowing over 30 years)	£2,983,000	£1,431,924	£1,431,924	£1,551,076
Purchased property (borrowing over 50 years)	£2,476,000	£1,431,924	£1,431,924	£1,044,076

6.5.5. Owning properties means that an increase to rents charged will allow for more income to be received. Currently any increases for private accommodation would not affect the income received due to recharges for Housing Benefit and for those on full Housing Benefit, they will continue to have their rent covered. There have been no increases to the Housing Benefit Subsidy since 2011 and officers are not aware of any plans to increase these, therefore, it is unlikely in the near future that additional income would be received for private units.

6.5.6. If rents were to be increased by 5% the figures would change to the below. As you can see the overall costs is decreased for owned units and this will continue to be the case for owned units, whereas private units will continue to increase in costs as providers increase their charges.

Type of property	Cost	Rent Charged	Income received	Total Cost
Private nightly paid	£2,682,750 (£49 PN average)	£1,503,450 (£192.75 PW)	£963,924	£1,718,826
Purchased property (borrowing over 30 years)	£2,983,000	£1,503,450	£1,503,450	£1,479,550

Purchased property (borrowing over 50 years)	£2,476,000	£1,503,450	£1,503,450	£972,550
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- 6.5.7. Investment into property will also allow for the council to have an owned outright asset at the end of the borrowing period, whereas currently the spend of over £200m in the next 30 years will not yield any return.
- 6.5.8. Financial appraisals would be undertaken on a property-by-property basis prior to the purchase of individual properties to take account of market conditions at the time of purchase to provide assurance around financial viability of proposed purchases.
- 6.5.9. If agreed, as per the pilot, properties will be purchased on the open market and purchased in tranches to avoid overheating the local market. The purchasing of properties that the council do not own the freehold for will be avoided.
- 6.5.10. The Council needs to be mindful that properties are not lost to the Right to Buy. Therefore, properties need to be managed with tenancies that cannot be considered secure tenancies.
- 6.6. Option 3 – Leasing properties.
- 6.6.1. Medway Council officers (with relevant delegated authority) currently have authority to grant, enter into, or vary the terms of leases or sub leases, where the consideration does not exceed £10,000 per annum on any single transaction or £20,000 after consultation with the relevant Portfolio Holders. (Increased to considerations not exceeding £15,000 per annum at Cabinet on 16 January 2024).
- 6.6.2. The current cost of procuring a two-bedroom property through nightly paid is approximately £16,790 pa. The aim will be to take the property on lease at a reduced rate. The rate however will be dependent on the type of lease negotiated and if there is an expectation for repairs to be made to the property.
- 6.6.3. It is anticipated that for a two-bedroom leases will cost approximately between £8,000 and £15,000 per annum and that approval is given for up to 150 units for the use of temporary accommodation.
- 6.6.4. Taking the properties on full lease will mean a responsibility for repairs and maintenance of the properties. It will also mean that whilst the property is void no income will be received for the property.
- 6.6.5. It is proposed that authorisation for these leases is delegated to the Assistant Director, Culture and Community, in consultation with the Portfolio Holder for

Housing and Property. (Authority given at the meeting of Cabinet on 16 January 2024.)

6.6.6. Taking on leases allows for properties to be secured on a longer-term basis, provides some certainty on costs and allows for planned use of properties as there will be consistency with availability.

6.7. Option 4 – Setting up a letting agency.

6.7.1. Prevention of homelessness is a lot cheaper than processing customers through the homeless route and into temporary accommodation, it is also a better outcome for the customer. It is estimated for the average two-bedroom household going into temporary accommodation the housing costs alone are around £10,317 PA without staffing and additional costs.

6.7.2. Setting up a letting agency would involve managing properties for property owners. The contract will be between the customer and the property owner, but the management responsibility will be that of the Council. A customer will be allocated to the property, and this will allow for a discharge of homeless duty, alleviating the need to go into temporary accommodation.

6.7.3. There are already successful models for letting services from other local boroughs that could be mirrored to ensure success. The schemes allow for the property to be rented by the customer at LHA rates. 5 or 10% of this cost is taken as a management fee and the additional funds are topped up to market rate through prevention fund as a one of payment to the landlord. Below shows the recoverable costs at 5% from the landlords calculated per annum.

LHA Medway PCM		5%
1 bed	£593.36	£29.67
2 bed	£747.93	£37.40
3 bed	£847.69	£42.38
4 bed	£1,196.69	£59.83
2 bed PCM	x20	£748.00
3 bed PCM	x30	£1,271.40
TOTAL PCM		£2,019.40
TOTAL PA		£24,232.80

6.7.4. It is estimated that to set up the lettings service in year one the costs will be £153,000 and for year two and ongoing £137,000pa. The approximate costs are made up of the following, based on similar models from Ashford Borough Council (ABC) and Gravesham Borough Council (GBC):

- 1 FTE Range 5 post and oncosts, to manage the team (£50,000)
- 2 FTE Range 4 posts ad oncosts to property manage (40 to 60 properties each) (£84,000)
- £2,000 pa for advertisement

- £1,000 pa for landlord forum
- ICT equipment for startup (£6,000)
- Computer system set up costs (£10,000)
- Other costs to consider that will need further exploration will be insurances, costs for setting up leases and ICT support.

6.7.5. Further investment in staffing may be required as the letting agency takes on properties.

6.7.6. One allocated officer will be able to manage between 40 and 60 properties, preventing the need for these household to go into temporary accommodation. This will provide an accommodation saving of approximately £515,850 PA for 50 households.

6.8. Pursuing a combination of options will ensure that there is availability of accommodation and that costs for accommodation do not escalate further. The only option not to be taken forward is option one.

6.9. The purchase of bulk properties (Site A and Site B as set out in the Exempt Appendix 1) for use as Temporary Accommodation would be in line with the decisions taken at Cabinet on 16 January 2024.

7. Risk management

7.1.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Change in demand	Properties acquired and there is no longer a need for the use of temporary accommodation	Purchased properties could be disposed of, transferred to the Council's Housing Revenue Account (HRA) or let to households on the open market (via One Medway Lettings)	CIII
The properties are acquired by other interested parties	Without delegated authority in place to proceed with the acquisition of the bulk properties, we risk losing these to other interested parties who are able to secure an offer and proceed more quickly. This	Steps would be taken to try and secure the purchase	All

Risk	Description	Action to avoid or mitigate risk	Risk rating
	includes London Boroughs and private providers of nightly paid/TA accommodation		

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

8. Consultation

8.1. No formal consultation is required.

9. Climate change implications

9.1. Any properties procured through the private sector will need to meet the minimum energy efficiency standards. Work can take place with landlords to apply for any available grants to increase energy efficiency.

9.2. Purchased units could be improved through planned works and targeted initiatives to improve energy efficiency. Associated costs for maintenance and refurbishments have been included in the purchase costs.

10. Financial implications

10.1. The purchase of bulk properties (Site A and Site B as set out in the Exempt Appendix 1) for use as Temporary Accommodation would be met from within the existing budget agreed by Full Council on 24 January 2024.

11. Legal implications

11.1 The Council has a duty to provide temporary accommodation to homeless applicants under S188 of the Housing Act 1996. That accommodation must be suitable for the applicants and there are a number of criteria that the accommodation must meet in order to be suitable for example if that accommodation is provided in a B&B or HMO property it can only be occupied for a maximum of 6 weeks if the applicant household includes children.

11.2 There is no requirement for this accommodation to be provided within properties owned by the Council and the use of privately owned accommodation has been the model which has traditionally been used.

11.3 Most tenancies granted under the Homelessness provisions are non-secure tenancies and therefore do not attract the Right to Buy but the Council will

need to ensure that this is kept under review as the applicants move through the various duties to avoid the risk of losing any properties bought to the Right to Buy. The time an applicant is accommodated in temporary accommodation may count towards the qualifying period for the Right to Buy.

- 11.4 The lettings department will be set up in house involving an agreement between the service and the property owner, all legal documentation will gain the appropriate legal sign off before being implemented.
- 11.5 Any additions to the Council's budget are a matter for Full Council but the decision whether to continue to provide accommodation through the use of the private sector or to purchase accommodation to satisfy this duty is one for Cabinet subject to the budget amendments being agreed.

Lead officer contact

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Appendices

Appendix 1 – Exempt Information

Background papers

[Cabinet Report – 16 January 2024](#)

[Full Council report – 19 January 2023](#)

[Full Council report – 24 January 2024](#)