

Wyre Forest District Council

Record of a Council Decision delegated to be made by an Officer

This includes a record of an Executive Decision made by an officer under Regulation 13, Part 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Item decided: The final business case for the conversion of 2/3 New Street, Stourport and to proceed with the works to create new temporary accommodation.	
Officer who has taken the decision	Corporate Director: Economic Prosperity & Place
Date of the decision	19/05/17
Reason for the decision/alternatives considered	Cabinet agreed to the conversion proposal at their meeting on 22/11/16 at which time delegation was given to implement the works. An updated more detailed business case has been prepared which indicates that the works should now be implemented.
Date and source of Delegated Decision (if appropriate)	Cabinet 22/11/16
Council/Cabinet member consulted – if applicable	Chris Rogers – Cabinet Member for Housing Health & Wellbeing
Any interest declared by the Consultee or officer	None

WYRE FOREST DISTRICT COUNCIL

CABINET
22ND NOVEMBER 2016

Report on the Provision of Temporary Accommodation

OPEN	
CABINET MEMBER:	Councillor J Smith Cabinet Member for Health Wellbeing and Housing
RESPONSIBLE OFFICER:	Strategic Housing Services Manager
CONTACT OFFICER:	Kate Bailey ext 2560 Kate.bailey@wyreforestdc.gov.uk
APPENDICES:	Appendix 1: Proposal utilising existing available capital

1. PURPOSE OF REPORT

The purpose of this report is to seek approval for 2-3 New Street, Stourport to be brought back into use for temporary accommodation and for the necessary adjustment to the Capital Programme to finance the project.

2. RECOMMENDATION

The Cabinet is asked to **DECIDE** that:

- 2.1 **The conversion of 2-3 New Street, Stourport for the provision of temporary accommodation be approved.**
- 2.2 **Delegated Authority be granted to the Director of Economic Prosperity & Place, in consultation with Cabinet Member for Housing, Health and Wellbeing to put in place all necessary consents associated with the conversion works, to implement the works themselves and to commission the delivery of services from the building once the works are complete.**

The Cabinet is asked to **RECOMMEND** to Council that:

- 2.3 **The Capital Programme be amended accordingly to accommodate the costs associated with the conversion works.**

3. BACKGROUND

- 3.1 In 2012 the Council took back into its ownership an empty property at 2 -3 New Street, Stourport, following the end of a long term lease. This report considers converting this empty property into units of temporary accommodation to meet demand from households in housing need.
- 3.2 The property at is currently vacant. The ground floor was, until recently, let to a tenant (an art shop and a cafe) for an annual rent of £3k but this lease has now ended. The

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first and second floors have been converted to 4 bedsit units and were rented out privately before 2012 but have been empty since that then.

- 3.3 Since the property was returned to the Council it has incurred an annual cost through Council Tax, inspection and utilities of £6,300 p.a. However In December 2015 the Private Sector Housing (PSH) team took over responsibility for inspecting the building and served a prohibition notice to negate the ongoing council tax charge and therefore reduce ongoing running costs to circa £1,000.
- 3.4 The property is a Grade II listed building; it has been poorly maintained and has poor original construction by modern standards e.g. it has solid walls and therefore has poor thermal comfort. However the property has the potential to support the Council's need for temporary accommodation to meet its obligations under the Housing Act 1996, if converted appropriately.
- 3.5 The Council uses various types of accommodation to meet the legal requirements of the Homeless Act 2002 and Housing Act 1996. Where possible the Council, in conjunction with Community Housing Group, seek to prevent homelessness either by keeping someone in their current home or finding them an alternative. In 2015/16 1169 households were prevented from becoming homeless through a variety of methods. However not all incidences can be prevented and in the same period the Council accepted a legal duty to assist 174 households of which 116 households were placed into emergency accommodation for periods of between 1 day and three months. The average length of stay was 14.7 days.
- 3.6 Most households placed in emergency accommodation are rehoused temporarily in Bed and Breakfast accommodation within Kidderminster or Droitwich. Occasionally households have been accommodated in Birmingham, due to the lack of availability in Wyre Forest, or due to the households' particular needs such as where the person is fleeing domestic violence from Wyre Forest. Arrangements are also in place with the YMCA in Worcester and other providers to accommodate households during periods of prolonged cold temperatures to fulfil our 'No Second Night Out' commitment.
- 3.7 The accommodation primarily used is procured by the Council to ensure it meets basic standards and is as cost effective as possible, however occasionally where no accommodation is available with the locations mentioned or it isn't suitable to the applicants particular needs' then the Council must use more expensive commercial options. This would usually be where someone has a disability or needs to be housed out of district. Once procured the accommodation operates on a framework basis with no commitment to a set amount of usage.
- 3.8 As the current procurement arrangements were coming to an end the Council has recently sought to re-procure B&B accommodation however the Council has had difficulty in finding private sector providers willing to take on this service and at a suitably satisfactory accommodation condition (only 3 suitable providers came forward). This is due to the impact of Welfare Reform making it less financially attractive to private landlords to provide this type of accommodation. This B&B accommodation is also used by members of the public and other councils and is therefore not exclusively available to Wyre Forest. If demand outstrips supply then the Council has to look for other more costly and/or out of district placements and this can potentially expose the Council to legal challenge (following recent case law and

subsequent advice from the Department for Communities and Local Government (dCLG).

- 3.9 The PSH Team have undertaken a survey of the property and developed an outline design and specification for conversion works that would enable the building to be converted into 11 bedsit style rooms and a shared communal kitchen/dining/office area. The anticipated revenue income in Appendix 1 assumes 11 units of accommodation.
- 3.10 This accommodation could be used for the provision of short-term accommodation for both statutory and non-statutory homeless that the Council has a duty (or a power) to assist, thus relieving the situation described above as the Council would have exclusive use of the New Street property and the need to additional units of B&B would be greatly reduced.
- 3.11 Planning permission is required for the change of use of the ground floor to residential, Listed Building Consent is required for some of the internal works and Building Regulations will be required and officers are currently in the process of procuring an Architect to draw up detailed drawings and support the consenting processes.

4. KEY ISSUES

- 4.1 Where households are placed in temporary accommodation the Council currently pays around £26.09 for a single person and £52.17 for a family per night (£182.63/365.19 per week) and although a housing benefit (HB) claim is made and the household is charged for non housing benefit eligible items (such as heating and hot water), the current HB subsidy only enables the Council to recover approximately 35% of the costs.
- 4.2 The Government's reform of welfare benefits from 2018 will cause a further financial gap for councils using bed and breakfast in the future. The introduction of the Local Housing Allowance (LHA) cap may mean that Councils get less than the 90% of the relevant LHA rate for the size of property (which is approximately £98 p.w) that they currently get.
- 4.3 The roll out of Universal Credit will provide a further cause for concern in that the housing costs will be passported directly to the applicant rather than the landlord (currently the Council receives the Housing Benefit directly as we are the "landlord" for Bed and Breakfast placements). The Department of Work and Pensions (DWP) also don't pay Universal Credit to the claimant for the first week of the claim (including the "Housing Costs"¹ element) and then pay 4 weekly (in arrears) which means there is a five week delay on the claim.
- 4.4 In the future the claim will only pay housing costs at the value of the accommodation the household was in on the last day of these five weeks and therefore if the claimant household has been moved within the five week period (the average length of stay in Wyre Forest is 14 days) to cheaper accommodation (e.g. a social rent) then the payment the claimant receives (not the Council now) reflects this i.e. they will have originally been placed in a higher cost B&B facility and subsequently moved to a cheaper facility within the 5 weeks and consequently the housing payment received will be lower than costs incurred. Therefore the applicant will not have the funding to

¹ This replaces the Housing Benefit applicants receive when they go onto Universal Credit

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pay the Council the full amount due for their housing costs. Even assuming the applicant passes on all this money to the Council that they receive, it could still result in an average shortfall to the Council of approximately £175-200 over the five weeks for a single person.

- 4.5 There would be a future financial risk to the Council, if it can't recover costs for the emergency accommodation through Housing Benefit (due to the lack of subsidy) and assuming it won't be able to recover the Housing Costs paid to the Universal Credit Claimant and the impact on the budget is shown below.

Table one: shows the costs versus income of the option of staying the same, doing nothing post 2018 (assuming the anticipated impact of Welfare Reform) and the alternative proposal to develop the units of temporary accommodation

	Current cost (if no changes to HB)	Do nothing costs	Proposal – Exp (Income) ²
2017/18	29,900	29,900	(10,820)
2018/19	29,900	51,000	(44,200)
2019/20	29,900	51,000	(41,200)

- 4.6 There may be the possibility of additional grant funding to contribute to the revenue costs of this project as the dCLG are ending the provision of a temporary accommodation management fee³ by the end of this financial year and moving to a grant system, payable to all Local Housing Authorities in addition to the Homeless Prevention Grant. This grant will be available for Local Authorities for a wider range of homeless and homeless prevention related services/activities and will be paid directly on an annual basis, rather than through Housing Benefit claims. The distribution formula and allocation is likely to be announced in November. For the purposes of the financial modelling we have assumed a continuation of the temporary accommodation management fee at the current rate.
- 4.7 The property is in a state of disrepair and wouldn't meet current standards; it would also require adapting and converting to maximise the potential space. Officers have estimated a cost for these works and have previously obtained a quote from Snape (the Council's term maintenance provider) to ensure value for money based on conversion to 8 units without including the ground or lower ground floor as these have only recently become available. Officers will liaise with Snape for a further quote once the services of an architect have been engaged. In addition to capital works there will be architect fees, planning and building regulation application related expenses and project management costs of £10,000 which will be capitalised. The total cost shown in table two includes a contingency budget.
- 4.8 The cost of furnishing and providing floor coverings for the property will be met from an existing budget for welfare funding which includes an element for furniture etc for residents who move into a new home.
- 4.9 The project, whilst in its redevelopment phase, would be overseen by a project manager who will be funded through capitalisation of the capital as proposed above.

² Gross of any other indirect costs arising from the Council's overheads

³ WFDC currently do not receive this fee as it isn't available if for B&B style accommodation but is set at a limit of £60 p.w. per household.

- 4.10 Officers will also need to explore the need to purchase/use of an appropriate financial software package to manage and monitor rent payments and are currently working with IT to procure an appropriate system (the costs included in the model are based on initial soft market testing).
- 4.11 The accommodation will be managed by staff within the Strategic Housing Services team, with costs met through reallocation of existing budgets.

5. FINANCIAL IMPLICATIONS

- 5.1 The cost of converting and operating the property as accommodation that the Council can use for housing homelessness cases is affordable within existing capital and revenue budgets.
- 5.2 Officers have considered alternative proposals than use for temporary accommodation including; the alternative of borrowing the capital to finance the project, the “do-nothing” proposal and converting the property into three, two bedroom flats for rent. These alternatives have been ruled out as they are not as financially advantageous to the council.
- 5.3 Using the occupancy levels data (and number of days occupied) it can be assumed that occupancy of the units for 52 weeks of the year will be approximately 75% and therefore at the rate of £98 p.w. (which is approximately the current payment made) then the annual rental income that would be derived from the use of the building for B&B purposes is projected to be £44,200 (2018/19). In addition to this the Council will receive additional government funding to replace the current Temporary Accommodation Management Fee which should also contribute towards the running costs (estimated at £25,740 for 2018/19). The Council will also be able to “sell” additional capacity to neighbouring authorities, such as Wychavon and Worcester, who currently use accommodation in Kidderminster and have expressed an interest in the project.
- 5.4 Bringing the property back into use will also attract income into the Council through Council Tax and potentially the New Homes Bonus, whilst it remains in existence.
- 5.5 There will be a continued need to use B&B for placements outside the district or into specialist accommodation but these are anticipated at a much lower rate of 10 placements p.a. with a cost to the authority of approx 5k p.a.
- 5.6 It is proposed that the cost of undertaking the conversion work is met in the following way;

Table two: source of capital for the project

Value (£)	Source
69,000	Existing capital programme for affordable housing
50,000	Evergreen Fund
40,000	Discretionary Housing Pot (including project management costs)
43,060	Right to buy receipts received in 2015/16
65,000	Better Care Fund (for level access showers / kitchens)
267,060	Total Capital Funding

Utilising the funding in this way will require a recommendation from Cabinet to Council to amend the Capital Programme.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Council is currently able to own and manage emergency accommodation for homeless people under existing legislation as there are no legal implications arising in relation to project around inadvertently granting secure tenancies or the right to buy. The use of excluded licenses with limited rights (especially for households accommodated under the s188 duties) and the short term nature of the accommodation should safeguard against any risks.
- 6.2 Snape has previously been through a competitive procurement process and therefore it is appropriate to use them for this work without going through a further tendering process.
- 6.3 By increasing the supply of good quality, affordable accommodation within the District the Council will reduce the likelihood of any challenge through placing households out of area or for longer than 6 weeks and by compliant with the Temporary Accommodation Placement and Procurement Policy.

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 An Equalities Impact Screening Assessment has been undertaken on 21/09/2016. There are no negative implications identified for groups with a protected characteristic.

8. RISK MANAGEMENT

- 8.1 There is a risk to the council through not undertaking this work including the increasing costs of providing temporary accommodation particularly in light of the proposed welfare reform changes. In addition the Council will have risks and costs associated with maintaining an empty property.

9. CONCLUSION

- 9.1 The proposed welfare reform changes and move to Universal Credit means there will be an impact on Council resources to meet the continuing statutory requirement to house households in temporary accommodation. Recovery of a contribution from the homeless household towards their housing costs will become increasingly difficult and won't be full costs recovery.
- 9.2 The Council, through investing existing capital resources, could bring an empty property back into use to gain a long term revenue saving and income stream, as well as providing good quality, well managed accommodation for households in housing need.

10. CONSULTEES

- 10.1 None.

11. BACKGROUND PAPERS

11.1 Discharge into the private rented sector policy

11.2 Temporary Accommodation Placement and Procurement Policy.