

North Yorkshire Council

Executive

15 October 2024

Acquisition of 11 new build properties in Scarborough for use as affordable rented accommodation to take into the Housing Revenue Account

Report of the Corporate Director for Community Development

This report contains a confidential Appendix which contains information of the type defined in paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) as it contains information relating to the financial and business affairs of the Council and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek Executive approval to acquire 11 new build properties from a developer to use as affordable rented accommodation, which will be taken into the Housing Revenue Account, and rented out to local households in housing need, who are homeless or at risk of becoming homeless.

2.0 BACKGROUND

- 2.1 In January 2024, the Executive and Council approved the Housing Revenue Account (HRA) 30-year Business Plan, which includes the delivery of 500 new homes over the next 5 years to 2029. These homes will be rented homes, which will address local housing needs across North Yorkshire and be rented out to local households in housing need.
- 2.2 In addition, the Executive also approved the Temporary Accommodation Business Case in June 2024 and a £11.6m budget for the delivery of accommodation for homeless households. This sets out a requirement of 90 new managed units across North Yorkshire, to ensure that we provide quality temporary accommodation for homeless households, and to make substantial savings to the temporary accommodation budget, by reducing the use of high-cost private accommodation.
- 2.3 There are high housing needs in Scarborough with over 2500 households on North Yorkshire Homechoice requiring accommodation within the Scarborough locality. In addition, there are high levels of households within Scarborough who are either homeless or threatened with homelessness, and who often must be placed in expensive high-cost temporary accommodation. There is a difficulty in sourcing suitable accommodation for families threatened by homelessness, and on average, there are currently around 30-40 families having to be placed in temporary accommodation at any one time.
- 2.4 This report seeks approval to acquire 11 new build homes from a developer in Scarborough to assist in meeting the need for more suitable temporary accommodation in Scarborough for families threatened by homelessness.

3.0 PROPOSAL

- 3.1 The Council has been in negotiations with Keepmoat who are developing housing in Scarborough to acquire suitable homes that can be managed through the HRA.
- 3.2 All of the homes will meet Nationally Described Space Standards (NDSS), and are to a specification, which meets the Council's requirements. In addition, the properties will meet EPC "B", which is also in line with the Council's requirements for all our new build properties to attain a minimum of EPC "C" and will be built to Future Homes Standards.
- 3.3 The properties will be allocated to families who are either currently in such accommodation or for families currently in priority need. There is recognition that due to the location of the properties, that priority will be given to families with low support needs. The Council will also retain the option to convert into general needs rented housing, should the need for temporary accommodation be reduced at any time in the future.
- 3.4 The total cost of acquiring all 11 properties will be circa £2m and the costs will be met by the funding, which was previously approved for use to develop and/or acquire properties for temporary accommodation, which amounts to £11.6 million in total. The costs of the extras for the furnishings will be met with reserves from the Homelessness Prevention Grant.

4.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 4.1 Discussions have been undertaken with the local member in whose division the properties are located, who has indicated his support for the proposal.

5.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 5.1 The scheme contributes principally to the following Council priority:

"Place and Environment: Good quality, affordable and sustainable housing that meets the needs of our communities"

6.0 ALTERNATIVE OPTIONS CONSIDERED

- 6.1 The acquisition of "off the shelf" properties from developers forms an important part of the Council's plans for developing and/or acquiring 90 units of temporary accommodation. The acquisition of these properties forms a quick win for the Council, and there were no other viable options for acquisition of new properties available to the Council at the present time.

7.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

- 7.1 The key services which will be impacted by this proposal will be other service areas within the wider Housing service, and in particular, the Housing Needs service, who view this as having a very positive impact, as it will provide quality managed temporary accommodation and will enable them to move families out of more expensive private accommodation. There will also be some minimal impact on both the Homes and Places and Housing Landlord service areas.

8.0 FINANCIAL IMPLICATIONS

- 8.1 The total capital cost of purchasing the properties is £2,037,810 which amounts to £185,255 per property. This represents good value for money, in comparison with the average cost of developing a new build property, which is on average around £200K to £210K for a 2-bedroom house based on recent appraisals.

8.2 CAPITAL FUNDING

The property acquisition has been appraised using the standard HRA model and will be funded by HRA borrowing (62%) plus Capital receipts and S106 commuted sums (38% combined). S106 sums were previously approved for supporting the development of new temporary accommodation in Scarborough.

Capital Funding	£
Borrowing	1,272,686
Capital receipts / s106	765,124
Total Funding	2,037,810

PERFORMANCE OUTPUT

	Output	Benchmark	Pass/Fail
40 Year Net Present Value (£)	£21,113	0	PASS
Payback Year	39	40	PASS
40 Year IRR%	5.59%	5.48%	PASS

- 8.3 The rents charged for the properties will be set at affordable rents, which will include a small service charge element.

8.4 REVENUE IMPLICATIONS

The acquisition of the 11 properties for temporary accommodation for homeless households, will contribute towards the savings target on temporary accommodation by approximately £343,282 per annum. This is based on the current annual cost of temporary accommodation using high cost privately owned accommodation as identified in the temporary accommodation business plan.

9.0 LEGAL IMPLICATIONS

- 9.1 As the capital cost of acquiring the properties exceeds £1million, then it is subject to the Property Procedure Rules, which requires any property transaction exceeding £1 million to be approved by Executive.
- 9.2 The Council will also need to undertake the standard legal processes required in the acquisition of the properties and will appoint the appropriate solicitors to undertake this work on our behalf.
- 9.3 The Council would normally be liable for Stamp Duty Land Tax (SDLT) on acquisitions of this nature. However, the advice of the external solicitors who are working on the purchase of the properties is that the Council will be able to claim an exemption to SDLT, which is based on the following grounds:

Section 71(1) FA 2003 makes provision for an exemption from SDLT for the purchase by "a relevant housing provider" if the transaction is "funded with the assistance of a public subsidy".

10.0 EQUALITIES IMPLICATIONS

10.1 An Equalities Impact Assessment screening has been undertaken, which highlighted that there would be no adverse impacts, and a full Equalities Impact Assessment would not be required. The proposal would have positive impacts, particularly for persons on low income in need of affordable housing.

11.0 CLIMATE CHANGE IMPLICATIONS

11.1 An initial Climate Change Impact Assessment has been undertaken, which highlighted that there would be no adverse impacts, and a full Climate Change impact Assessment would not be required.

12.0 PERFORMANCE IMPLICATIONS

12.1 The acquisition of the properties contributes to our overall target of the provision of 90 units of temporary accommodation. In addition, as highlighted elsewhere, it will contribute to significant savings in the temporary accommodation budget.

13.0 RISK MANAGEMENT IMPLICATIONS

13.1 The key risks with the scheme are as follows:

Risk	Potential Impact	Mitigation
The properties are delayed in being completed	Would mean occupation of the properties would be delayed and result in having to utilise less suitable and more expensive temporary accommodation for longer period	Programme is in hands of developer. First tranche of properties is close to completion and will be ready as per developer programme. Further tranche scheduled to be ready as per programme
Properties do not meet required standards	Would result in increased costs to bring properties to required standards	Have selected properties that meet NDSS. Have also confirmed that specification provided by the developer meets required standards., and this will be included in purchase agreement. Have included allowance for extras to ensure that they meet lettable standards
Problems with ASB and difficulties in managing and maintaining properties due to being remote from current managed areas	Could result in local community concerns and cause reputational damage to the Council. Could lead to increased costs in putting in increased resources to manage and maintain properties.	Will identify families with low support needs and at low risk. Properties will be managed by the Housing Needs team based in Scarborough, who are in the process of recruiting a Temporary Accommodation Manager, who will have specific responsibility for managing these properties and other temporary accommodation in the East of the County The properties are no more than 4 properties in one cluster within the development. Currently in the process of procuring the repairs/maintenance service of a

		local Registered Provider for the properties
Unable to source suitable homeless households for the homes	Could result in void properties and loss of rental income	Current data shows there are high numbers of suitable households in temporary accommodation in Scarborough. Properties will be taken into the HRA, so that they can be used as general needs rented housing if required

14.0 REASONS FOR RECOMMENDATIONS

- 14.1 The reason for the first recommendation is to provide 11 properties of temporary accommodation for homeless households in Scarborough in line with the requirements of the Temporary Accommodation business case for the development of 90 new units of temporary accommodation across North Yorkshire.
- 14.2 In order to ensure the Council can proceed at speed to take up similar opportunities in the future, the Constitution Working Party will be asked to review the Constitution to enable a streamlined process for purchasing properties for the HRA that are in line with the Housing Revenue Account 30-year Business Plan and the approved Temporary Accommodation Business Case.

15.0 RECOMMENDATIONS

- 15.1 That the Executive approves of the acquisition of 11 new build properties from Keepmoat Homes in Scarborough for use as affordable rented accommodation, which will be taken into the Housing Revenue Account for use as temporary accommodation for homeless households as and when required on terms to be agreed in accordance with this report and as agreed by the Corporate Director for Resources.

APPENDICES:

- Appendix A – Equality Impact Assessment
- Appendix B – Climate Change Impact Assessment
- Appendix C – Confidential Report

BACKGROUND DOCUMENTS:

Executive Report – 18 June 2024 - [Development of Temporary Accommodation and Housing Options for the Homeless](#)

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 04 October 2024

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.