

# Purchase by Thanet District Council of 11 homes, constructed by Vistry, for Temporary Accommodation

<b>Cabinet</b>	26th September 2024
<b>By</b>	Ashley Jackson (Head of Housing and Planning)
<b>Cabinet Portfolio Member</b>	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
<b>Key Decision</b>	Yes
<b>Decision classification</b>	Unrestricted
<b>Ward:</b>	Thanet Villages

## Purpose of the Report

This report seeks the approval to purchase 11 homes, constructed by Vistry, that will be used for temporary accommodation in the Thanet District. The accommodation is at Westwood Point where members will recall the Council recently acquired some properties using Local Authority Housing Fund (LAHF) monies. This acquisition comprises four 2-bedroom properties and seven 3-bedroom properties. The report details how there is a demand for such accommodation. The cost of the acquisition is £2.85m. This equates to a cost of £259,090 per dwelling.

It is important to clarify that the above offer, which has been put forward to the developer and accepted by them, is subject to:

- A formal valuation
- Overview and Scrutiny, and subsequently Cabinet, approval
- Council agreeing to grow the capital programme and finance the acquisition with additional borrowing supported by the appropriate revenue savings

## Recommendation(s):

Cabinet is being asked to agree:

1. That the Council progresses with the acquisition of the 11 new affordable homes being built by developer Vistry, subject to the approval of the necessary adjustments to the general fund capital programme by the full Council on 10th October;
2. The letting of these homes will be in accordance with the Council's Temporary Accommodation Allocation Policy, approved by Cabinet in July 2024.

## 1. Summary of Reasons

- 1.1 To purchase 11 new-build homes at Westwood Point for temporary accommodation use within the General Fund.

## 2. Background

- 2.1 Unlike previous properties being acquired by the Council, these properties do not sit in a section 106 agreement and do not constitute additionality to the Council's Housing Revenue Account stock. The homes are not, as in other instances, sitting empty as they are awaiting a registered provider to bid on them. These are homes that the Council has sought out from the developer, knowing that there is a need for high quality temporary accommodation of varying sizes.

## 3. Relevant Issues

- 3.1 The council has a good working relationship with Vistry from the LAHF properties it has acquired, which have proven to be good acquisitions. The council subsequently approached the developer to see if it had other homes it could consider selling. It is important to state that these homes will be managed and maintained by the Council and will be managed closely through the temporary accommodation property officer that the housing options team employs to check on the welfare of its tenants.
- 3.2 The cost for the 11 homes (4 x 2-bedroom homes and 7 x 3-bedroom homes) totals £2,850,000 plus £132,000 Stamp Duty and £22,000 legal costs and is funded via the general fund capital budget, if approved by Council. This is why in addition to the OSP and Cabinet papers, a separate paper is being taken for approval to add this additional budget and borrowing to the capital programme
- 3.3 Members will recall from recent acquisition reports, that officers have developed a viability assessment tool to assess the viability of individual schemes. This tool is used to inform a 'go/no-go' decision for individual proposals as it is important that each scheme is considered on its own merits and we do not create a situation where some schemes are subsidising others within the overall Housing Revenue Account Business Plan - at a time when the Council, like registered providers (RPs) are facing the challenges of making their stock compliant with new regulation, decarbonising it and addressing matters of importance for its tenants.
- 3.4 To be viable, schemes need to show an overall surplus over a 30 or 50-year timescale, depending on the duration of any borrowing.
- 3.5 A summary of the income and costs for the proposed purchase are shown in the table below.

Year	1	2	3	4	5
Reduction in current TA costs	-279,225	-293,186	-307,846	-323,238	-329,703

HB Subsidy Saving	-43,888	-46,082	-48,387	-50,806	-53,346
Additional revenue costs	107,944	102,466	122,090	128,194	130,758
Saving before MRP and interest	-215,169	-236,802	-234,143	-245,850	-252,291
MRP	60,080	60,080	60,080	60,080	60,080
Interest on debt	156,921	153,767	150,613	147,459	144,305
Net cost/(saving)	1,832	-22,955	-23,450	-38,311	-47,906
Net cost/(saving) over 50 years	-17,732,163				

3.6 This shows that the proposed purchase would generate a cash flow deficit in year 1 of £1,832 with surpluses accumulating from year 2. The debt interest cost and MRP of £60,080 & £156,921 has been modelled based on a total loan of £3,004,000 at 5.25% for 50 years.

3.7 Though the homes have not been designated as temporary accommodation in the planning consent, they will have been designed to a very good specification, which will be suitable for those households the Council will temporarily house here.

3.8 Though one would be correct in thinking that one-bedroom homes are the principal requirement for those in temporary accommodation (169 households currently have a one-bedroom need), there is also a significant need for properties containing 2-bedrooms and 3-bedrooms. Latest data shows there are 60 households in temporary accommodation with a need for two-bedrooms and 50 households in temporary accommodation with a need for three bedrooms. Therefore, utilising this accommodation specifically for temporary accommodation will really help the council to save on nightly-paid accommodation and will ensure that the council can absolutely verify the suitability of the homes it is acquiring here for this purpose.

3.9 The offer that has been put forward to the developer, and provisionally accepted, is £2.85m. This figure has been arrived at after the viability work by finance colleagues. Note that this is subject to Council approval as well for the additional borrowing but because this is acquired for temporary accommodation, there is no requirement for Homes England grant for this scheme.

3.10 It is proposed that the new homes are let in accordance with the council's adopted Temporary Accommodation Allocations Policy, agreed by Cabinet in July 2024.

## **4. Recommendations from the Overview and Scrutiny Panel**

4.1 The Overview Scrutiny Panel noted the report and made no recommendations to Cabinet.

## **5. Alternative Options**

5.1 The Council could choose not to purchase the homes as these were not originally intended to be for temporary accommodation. However, this would represent a

missed opportunity at a time when the Council has circa 300 households in temporary accommodation. Though these homes would not technically be 'lost' this signifies an opportunity to work with a local SME developer, who has previously delivered good quality homes through LAHF and is keen to engage with the council to deliver additional homes where possible, recognising their role in the housing crisis that we face. It also further underlines that that the approach the Council is taking in acquiring homes off-plan is being noticed and developers are keen to work with Thanet Council.

5.2 Additionally, not taking these homes would mean that the Council is at financial risk from paying out for nightly-paid accommodation providers. The scheme represents not only the opportunity to have more control over the accommodation provided, but also the chance to obtain an income from these homes as well as the savings not paid out to the third-party accommodation provider.

5.2 One other option could be to take a smaller number than 11 homes. However, again, with the careful thought and planning that will go into the way these homes are managed in-house by the Council, these will be good quality homes for those who need them most.

## **6. Consultation**

6.1 Corporate consultation has taken place with colleagues from Legal, Finance and the Tenant and Leasehold Service. Officers have also consulted with Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing.

## **7. Corporate Implications**

### **7.1 Finance and Resources**

7.1.1 The financial implications are set out in the body of the report. The report demonstrates that the acquisition of these properties will make a positive contribution to the General Fund after year 2. The additional borrowing must be agreed by Council as well as the principle being agreed by the Overview and Scrutiny Panel and Cabinet members.

7.1.2 This will help with Thanet District Council's overspend on temporary accommodation. At the end of 2023/24 the council's net spending (after grant) on these services was £2.5m, which represented an £1.2m overspend compared to the approved budget.

### **7.2 Legal and Constitutional**

7.2.1 The recommendations within this report seek to acquire properties that will support the Council to discharge its duties under housing legislation in respect of the provision of suitable accommodation for those with eligible housing needs.

7.2.2 The Council has the power to make the proposed purchases in accordance with the general power of competence under section 1 of the Localism Act 2011. Section 120

of the Local Government Act 1972 provides a statutory power for the Council to acquire land, whether situated inside or outside their area, where this is to enable the Council to fulfil its functions.

7.2.3 The proposals surrounding this acquisition rely on a satisfactory valuation of the properties and in this regard the Council should be mindful of its fiduciary duty to its residents when agreeing a purchase price.

7.2.4 In accordance with the provisions of the Financial procedure rules the Section 151 Officer has authority for treasury management and to arrange the borrowing and investments for the council.

### **7.3 Council Policies and Priorities**

7.3.1 This proposal supports the Council Corporate Statement 2024-2028

- To deliver the housing we need

### **7.4 Risk**

7.4.1 Any acquisition or development activity has inherent risks. Officers work hard to identify and manage risk at each stage of projects and a monthly steering group that looks at the Council's new-build and acquisitions programme highlights these risks as officers horizon scan in the light of political, economic, social, technological, legislative and environmental factors. Risks around acquisition activity are sought to be mitigated through regular review and the appointment of professional expertise to provide legal due diligence, and accredited valuation advice to ensure value for money, in terms of the cost of the project, to the taxpayer.

### **7.5 Climate Change and Biodiversity**

7.5.1 The new homes are being designed to EPC B standard for energy efficiency, helping to reduce the cost of hot water and space heating for residents and reducing carbon emissions from domestic heating.

## **8. Equality, Equity and Diversity Implications**

8.1 Cllrs are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

8.2 Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

8.3 This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.

- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

8.4 An Equalities Impact Assessment has been completed in respect of this proposal, included at Annex 1. The new homes will be let in line with the council's temporary accommodation allocations policy.

## **9. Crime and Disorder Implications and Community impact**

9.1 The housing department does handle issues relating to Anti-Social behaviour. Despite often being described as 'low-level crime', existing evidence suggests it can result in a range of negative emotional, behavioural, social, health and financial impacts. People's understanding of what constitutes anti-social behaviour can be very different and can affect people in very different ways. For some people it means living next door to nuisance neighbours, for other people it's about litter and dog fouling or graffiti on the street. Often it can include people acting in an aggressive, intimidating or destructive manner.

9.2 The Community Safety department has policies and procedures to deal with issues which arise due to ASB. As previously stated these homes will be managed carefully. The council employs a temporary accommodation property officer in order to ensure the safety and wellbeing of those in its temporary accommodation.

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## **Appendices**

Annex 1 - EQI

### **Report Sign Off**

**Legal** Ingrid Brown, Head of Legal and Democracy & Monitoring Officer

**Finance** Matthew Sanham (Head of Finance and Procurement)