

Report to the Commercial Property Investment Board (CPIB) 10th November 2021

The Commercial Property Investment Board consists of:

- Chief Finance Officer or deputy
- Head of Place and Commercial Services
- Solicitor to the Council or deputy
- The Leader of the Council or deputy
- Executive PH for Corporate Resources
- Chair of Overview & Scrutiny Committee and Leader of Opposition if different
- Chair of Audit Scrutiny
- Any Group leader with 10% of the Members

Purpose – That the CPIB approve the acquisition of 3 Luscombe Terrace, Dawlish to provide a Teignbridge shared housing scheme for small families with young children and pregnant clients.

3 Luscombe Terrace, Dawlish.

This 6 bedroomed house is currently owned by Westward Housing Association and was on the market with Bradleys for £275,000. It has been used by office staff up until recently but has not been used in its former capacity as supported accommodation following a mild kitchen fire nearing 2 years ago.

The property has been marketed for the past two weeks and has received a high level of interest due to the agent considering it to be competitively priced. Four offers were made on the property, three at the asking price so the Agent request full and final offers by Friday 5th November. Housing Services increased the offer to **£295,000** following a survey of the property. The bid was £5,000 above the next best offer and has been accepted by the vendor.

The opportunity to purchase has been agreed by Housing Services for homelessness purposes to be run as a supported accommodation hostel. However, occupying with 6 single persons is considered too high a management risk in a residential setting. A high proportion of our single homeless clients present with complex needs including mental health issues and problems with substance misuse. It is felt that housing multiple clients with complex needs within the same hostel setting is likely to be a compounding factor, and carries a high risk of potential for antisocial behaviour. The property is situated on a residential road, and issues around antisocial behaviour would have a significant detrimental impact upon local residents. A blend of family and single use is equally considered to be too high a risk and unsuitable to move forward, principally because the building has shared bathroom facilities. Although we operate a hostel at Albany House, in which we accommodate both single people and households with dependent children, each room at Albany House has en-suite bathroom facilities.

However, with some reconfiguration the building could be used for small families with young children and pregnant clients.

This property could be configured in such a way to achieve the following.

Basement-

- Would be used for **storage** as no natural light and restricted access.

Ground floor –

- Front room 18.92sqm to create a **family room**
- Lounge 17sqm to create a **family room**
- **Kitchen** 11.84sqm and **Utility Room** 7.04sqm sufficient to provide facilities for up to 10 occupants

First Floor –

- **4 bedrooms** varying in size 9.72sqm, 8.4sqm, 11.84sqm and 13.76sqm. The 13.76sqm room and the smallest room to be made into a family room by the introduction of an archway to join the two rooms. This has been discussed with Building Control and Assets who consider the introduction of a concrete lintel will allow the removal of an element of walling. The other two rooms to be single occupancy rooms or for a family with older child able to sleep in his/her own room.

Top Floor-

- 2 current rooms have sloping ceilings reducing habitable space to 9.36sqm and 7.7sqm. This space to be used as an office and storage but option remains to make into a self contained single occupancy unit.

Rejected alternative

Alternatively, the Housing Services does have a project in SPAR to “*develop a plan for a shared housing scheme for single households*”

This opportunity has three aims –

1. To contribute to the Teignbridge 100
2. To set an exemplar for the HMO market in Teignbridge
3. To meet a “gap in the affordable housing market” not currently being met.

This property could be configured in such a way to achieve this aim but would

- not alleviate homelessness,
- not reduce the need for temporary accommodation and
- not reduce Bed and Breakfast budget pressure.

The Housing Services Proposal-

The property would require the replacement of the kitchen / utility and bathrooms, new flooring, total redecoration and the installation of an archway between two of the bedrooms. The rear courtyard provides space for airing washing and recycling. The Assets Team have estimated £60k for the works including prelims and a 10% contingency (costs attached). The delivery of the project will form **five units of the Teignbridge 100**.

Comments of Private Sector Housing

This property will **not** require an HMO Licence as we, the Local Housing Authority, would be the person managing or having control of it. (Housing Act 2004 (legislation.gov.uk))

However, the proposed layout detailed above will still comply with the Councils draft HMO Amenity Standards.

Funding will be provided principally from two offsite affordable housing contributions generated from Shell Cove House, Dawlish of £253,495 and 9 Eastcliffe Road, Dawlish of £63,127 (Total £316,622)

The remainder (£39k approx. maximum) to be funded from our Homelessness Grant to prevent the need for borrowing. The use of grant funding triggers an exemption to the requirement to pay Stamp Duty Land Tax (SDLT) saving around £12,000 to the scheme budget.

Housing Services are also in discussion with Homes England to see whether the scheme is eligible for the making of a grant funding bid. At the time of writing the outcome is not known but will be pursued if possible thus reducing the scheme costs. However the scheme can be delivered within budget without Homes England grant.

The Business Case

Financial and Social Benefits of Local Authority owned supported accommodation over Bed and Breakfast accommodation.

Social & Legal

- Bed and Breakfast lacks cooking facilities. These are provided within a supported accommodation setting.
- High demand for B & B means that we frequently have to place households out of area, away from schools and support networks.
- We can legally only place a family or expectant mother in B & B accommodation for a maximum of 6 weeks because it is considered to be unsuitable temporary accommodation. There is no time limit relating to length of stay in a local authority supported accommodation setting.
- The support due to be commissioned by Devon County Council to victims of domestic violence under the new Domestic Abuse Act can only be provided to people occupying 'safe accommodation'. Bed and breakfast does not fit the definition of safe accommodation. A local authority owned supported accommodation project does.
- Support for residents can be provided on-site within a supported accommodation setting.

Financial

- With bed and breakfast accommodation we are limited in terms of the subsidy we can claim through Housing Benefit. It is capped at the local housing allowance rate for a single room (£103.56 per week).
- The pandemic has increased demand for holiday accommodation locally and we are seeing costs rising and local availability diminishing as a result.

- A supported temporary accommodation project such as Albany House and Luscombe Terrace is classed as a Local Authority owned hostel and is therefore deemed to be specified exempt accommodation for housing benefit purposes. This means that the vast majority of running costs, including; the provision of support, an allowance for voids and bad debt, housing management costs, and reactive and cyclical repairs are fully recouped through the rent charged. The remaining utility costs are recouped through a small service charge (£15-£20 per week).

NB: Luscombe Terrace would therefore be run on a completely cost neutral basis and would provide the additional savings to our B & B budget outlined below.

Potential maximum savings to the B & B Budget:

NB: With bed and breakfast accommodation we are limited in terms of the subsidy we can claim through Housing Benefit. It is capped at the local housing allowance rate for a single room (£103.56 per week).

If Luscombe Terrace is configured in such a way as to provide 4 small family rooms, and two single rooms (which could be used by either expectant mothers or mother and babies) the following savings to our B & B budget could be realised:

3 x small family rooms:

Average B & B cost = £100 per night per room = £700 per week per room gross cost.
Deduct £103.56 for HB subsidy = £596.44 per week per room. Multiply by 3 for 3 rooms = £1789.32 weekly net cost.

Annual cost for 3 rooms: £1789.32 x 52 = £93,044.64 per annum net saving.

2 x single rooms:

Average B & B cost = £70 per night per room = £490 per week per room gross cost.
Deduct £103.56 for HB subsidy = £386.44 per week. Multiply by 2 for 2 rooms = £772.88 weekly net cost.

Annual cost for 2 single rooms: £772.88 x 52 = £40,189.76 per annum net saving.

Total annual net saving to the B & B budget: £93,044.64 + £40,189.76 = **£133,234.40 per year**

However, it must be noted that the demand for B and B accommodation is currently above projected levels due to the effects of the pandemic and is anticipated to remain high for the foreseeable future. Therefore in reality the “savings” are more likely to be a suppression of a budget pressure rather than a substantial budgetary saving whilst providing a better service to our homeless clients.

Graham Davey
November 2021