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| <b>Decision maker:</b>  | <b>Cabinet</b>   |
| <b>Meeting date:</b>    | <b>Thursday 13 December 2018</b>   |
| <b>Title of report:</b> | <b>Purchase of accommodation to meet strategic priorities</b>                        |
| <b>Report by:</b>       | <b>Cabinet Member, health and wellbeing and cabinet member, contracts and assets</b> |

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

## **Wards affected**

(All Wards);

## **Purpose and summary**

To approve the acquisition of a limited number of properties to enable the council to help meet some strategic priorities.

The council faces challenges in finding accommodation to meet the needs of some groups of vulnerable young people. Social housing providers have to prioritise commercial considerations and are unwilling to take the risk of letting homes to certain groups. Therefore, the council must find alternative accommodation solutions which are economic and sustainable in a limited range

of circumstances. These include accommodating care leavers and other young people with complex needs, such as chaotic and high risk lifestyles and self harm.

There are several other priority groups and vulnerable people who have accommodation needs and these might be best met through acquisition of property. These would require further analysis and business case, as part of governance. Capital funding for housing or accommodation will be used only where the council has significant statutory duties and other means of discharging them have been exhausted. In some instances, investment may also provide economic benefits.

It is proposed to purchase properties from the open market and make appropriate arrangements for housing management, usage of rental income and management of risk. It is envisaged that a modest number of properties of different types and sizes would be acquired over the period to 2022.

## **Recommendation(s)**

**That:**

- (a) the principle of acquisition of properties to meet the needs of care leavers and other people with complex needs be approved,**
- (b) authority be delegated to the director for economy and place, following consultation with relevant cabinet members, the director for children and families and the chief finance officer, to approve acquisition of individual properties including those with a value requiring a key decision, and subject to the usual capital funding approval processes.**

## **Alternative options**

1. Do not acquire properties in order to house care leavers or other young people with high risk, complex needs. This option is not recommended as it would continue the reliance on social housing providers to meet the needs of these small but complex cohorts. Providers' existing stock will seldom offer accommodation which is of suitable size and location, as this is in high demand through the housing register. In addition, providers will see the specific cohorts of vulnerable people as significantly risky tenants. Therefore, it will continue to be very difficult to find accommodation locally for care leavers with complex needs and chaotic, high risk behaviour. Lack of appropriate accommodation often leads to increased risk to the vulnerable person and others, whilst in some cases to continuation of very expensive specialist placements.
2. The council provides grant aid to housing providers to source accommodation and underwrites the risk of default. This option is not recommended as providers would still be unlikely to accept the wider risks and complexities arising from accommodating care leavers with high needs and similar groups of vulnerable people. These risks and complexities include self-harm, violent or aggressive behaviour and third party involvement in supporting people. In addition the capital costs to the council of this option might not be significantly lower. This approach has proved viable in addressing other types and levels of need but would not be attractive to housing providers for these user groups.

## Key considerations

3. As the strategic housing authority, the council has a duty to provide suitable accommodation for certain groups of vulnerable people. These groups are potentially diverse but meeting accommodation needs typically involves working collaboratively with social care services for adults or children and families. Accommodation is sourced in a variety of ways including through planning gain on new developments and providers re-purposing existing stock. These approaches rely on social housing providers being willing to let to vulnerable people and provide enhanced housing management where required. Some vulnerable people are accommodated by private landlords but seldom where specific support is required.
4. Since 2002, Herefordshire has been one of a small minority of councils which holds no housing stock of its own and so has been entirely dependent on its registered housing providers and other landlords in meeting its statutory duties. In practice, the council does own a very small number of houses and flats providing supported accommodation, but these do not constitute “housing stock” in the general sense. In the great majority of areas, where providers are unwilling to accept the risk of accommodating certain groups, councils will meet their needs through their own stock. Without this option, Herefordshire Council faces the current reality that there is a broader risk associated with the needs of its most vulnerable and high risk residents. It is appropriate to seek new solutions to this challenge. However, there is no intention for the council to become a stockholding council again in the general sense and the proposed acquisitions would be managed so as to avoid that. Rental income from properties would be managed so as to ensure there was no obligation to operate a housing revenue account.
5. All landlords, including registered providers, give priority to ensuring their properties are let all the time to people who pay their rent. Social landlords tend to function increasingly as commercial businesses and therefore are very concerned to minimise risk of void properties or tenants who cannot pay. For landlords, risk is associated mainly with anti-social behaviour and debt, including rent arrears. Potential tenants who are vulnerable are considered to be associated with these risks and the greater the vulnerability or complexity of need, the greater the apparent risk. In order to consider accepting such risks, landlords require assurance of significant levels of support or care provided to the tenant. In relation to vulnerable people generally, the council no longer has resources to fund such tenancy or wider support and for those with more complex needs, the position varies. In individual cases, there may be a mis-match between the eligible support needs and the risk perceived by a landlord.
6. Care leavers include some very vulnerable young adults for whom the council, along with its partners has responsibility as corporate parent, potentially until they are 25 years old. That responsibility includes ensuring that care leavers are safely and appropriately accommodated and in individual cases, the council may also have a duty under housing legislation. The accommodation strategy for vulnerable young people seeks to address the needs of care leavers among others. A small proportion of care leavers involves young people living very chaotic and unstable lives, often involving substance misuse, emotional needs and offending. They are frequently unable to sustain a tenancy and are seen by landlords as high risk and with the longer term potential to prejudice their future housing options. Care leavers are always a significant proportion of those people who are difficult or impossible to house. To sustain a tenancy, this small group require support but their needs often fall between eligibility criteria and support options available. Dedicated

housing controlled by the council would provide a safe focus around which to build improved support for this group of chaotic and very vulnerable care leavers.

7. There is an even smaller group of care leavers with very complex needs and vulnerability, often involving continuing risk of self harm or suicide. This may be associated with a history of trauma, abuse or criminal exploitation. Typically, this cohort has been placed in specialist and very expensive settings outside Herefordshire and by and large, local landlords would not be prepared to provide accommodation for this group. New accommodation options within the council would provide opportunities to improve outcomes for very vulnerable care leavers in their own community and save significant costs. This would be aligned to new models of 24 hour support delivered in the accommodation by specialist providers.
8. The numbers of vulnerable young people are small and altogether will total between 15 and 20 at any time. Typically, Housing Solutions (HST) will be aware of more than 30 people drawn from different user groups who are regarded as very high risk by landlords and are too complex for commissioned accommodation based services such as SHYPP or Pomona Place. Currently that group includes seven care leavers with chaotic, high risk lives including offending, substance misuse and mental health need.
9. Analysis of the care leaver population has identified around 13 young people with chaotic and high risk lives, including the seven above known to Housing Solutions. 13 care leavers have been placed in bed and breakfast accommodation (B&B) at least once during the 15 months to September 2018. Up to five care leavers are currently identified with very complex needs and placed in specialist settings, with some opportunity to improve outcomes and savings through appropriate accommodation in Herefordshire.
10. The council is preparing to undertake the first comprehensive analysis of housing and accommodation need for groups of vulnerable people. This will incorporate engagement and research and will encompass a wide range of groups relating to homelessness, adult social care, children's social care and community safety. The study will illuminate further the needs of care leavers and others who are the focus of the report, so informing the proposed acquisitions over the next three years. The analysis will also clarify housing needs across key workforce groups, including children and families' social work staff.
11. All accommodation and support provided for care leavers and others will be on a transitional basis, where the young person is supported and enabled to become more independent, towards them managing their own tenancy in the future. The purchase of properties will be allied closely to accommodation pathways for care leavers and other vulnerable young people. The proposed accommodation and associated support will be complementary to existing commissioned services, such as SHYPP, Bridge House and Pomona Place. The provision at SHYPP is suitable for young people with more moderate needs. The other services are intended for a broader range of needs, are heavily utilised and not targeted to care leavers
12. The council has a comprehensive property service with expertise in acquisition, property management and maintenance. All property owned or leased by the council is held corporately and overseen by property services. Housing management for the proposed accommodation would be provided either by HST or a registered provider specialising in housing management and not necessarily a local stockholder. Involvement of a registered provider in housing management would be subject to any procurement requirements. Where a registered housing management provider is managing the property, contractual arrangements may vary. A service level agreement will ensure that all needs and issues

arising will be managed between the housing manager, the council and any support provider.

13. Arrangements would be made for utility charging and rental income. A detailed risk assessment will be undertaken in relation to the letting of any acquired property, allied with advice on insurance options. For vulnerable groups with more complex support needs, enhanced housing management would be provided and funded through enhanced housing benefit.
14. All acquisitions would be the subject of a full business case incorporating a return on investment analysis based on the annual rent income in relation to purchase price and separate governance where required to authorise allocation of capital funding. Newly acquired properties would be subject to initial survey and adaptation or improvement to suit their purpose, with continued maintenance to ensure the appropriate standards. Maintenance will be overseen by property services and by and large, the costs will be met from rental income. All property acquired will offer sufficient utility and flexibility so that it would continue as a usable asset to the council, even if the immediate accommodation purpose was subsequently supplanted.
15. A range of different types of residential property is appropriate to meet the needs of different groups of vulnerable people. For care leavers with very complex needs, a single property of up to five places with extended common areas and staff accommodation may be appropriate to provide 24 hour support. In some other circumstances, self contained one or two bedroom accommodation may be more suitable.
16. The sales market for housing in Herefordshire offers a range of options to the council in meeting the needs of its priority groups. This is in contrast to the rental market which currently has significant fragilities and limitations, notably in relation to self contained one-bedroom units and three or four bedroom houses in Hereford.

## **Community impact**

17. The joint strategic needs assessment, Understanding Herefordshire (JSNA) identifies the scale and breadth of homelessness need locally, along with the numbers of care leavers and a broad analysis of their needs. The needs of the small cohorts of very vulnerable people who are the focus of this report represent a level of specific detail within the broader data in the JSNA. The purchase of properties will significantly contribute to the priorities in the council's corporate plan through; enabling vulnerable adults to live in good quality housing, helping to ensure they are safe and live independent lives and allowing them to enjoy their home and neighbourhoods. In particular the proposals will support the participation of care leavers and others who routinely find themselves living outside or away from communities.
18. Acquisition of the property accords with the stated objective in the corporate property strategy 2016-2020 (Appendix 1b); to hold assets which meet the council's operational property, socio-economic and investment objectives
19. Housing also appears among priorities in the Herefordshire's Health and Wellbeing Strategy, including housing those with hidden issues and reducing health inequalities. Enabling people to live independent lives through provision of good quality affordable housing, and developing homes for life is also reflected in the strategy and would be advanced by this proposal.

20. The proposals will advance specifically the council's discharge of its role as corporate parent by helping it to provide new, safe and sustainable housing solutions for its most vulnerable care leavers. It will help avoid the "revolving door" experience had by many care leavers and reduce the risk of homelessness and the reliance on a homelessness route for them.
21. The council is committed to providing a healthy and safe environment for all individuals affected by the council's activities. Therefore the council seeks to ensure that the work it and its partners undertake, does not adversely affect the health, safety or welfare of refugees. In acquiring or leasing property, the council operates to high standards of health and safety in all aspects of maintenance and management of premises. These standards will be applied to any properties acquired under this proposal and any associated arrangements for housing management.

## **Equality duty**

22. The council is committed to equality and diversity using the Public Sector Equality Duty (Equality Act 2010) to eliminate unlawful discrimination, advance equality of opportunity and foster good relations.
23. The equality duty covers the following nine groups with protected characteristics: age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The decision does not discontinue services and has no detrimental impact for eligible service users.
24. The purchase of properties will for the proposed priority groups will create greatly improved housing options for small numbers of very vulnerable local residents who share protected characteristics. These will include disabled people and young people.

## **Resource implications**

25. The main resources implications of the proposals are as follows;
  - i. Capital funding of up to £2.4m over three years from the affordable housing programme has been identified as one potential source to support implementation of the proposals. This capital programme has already been approved through the appropriate processes for capital funding. The capital funding for some future acquisitions will be subject to separate governance, including approval by cabinet to spend. The proposals will support implementation of the medium term financial strategy (MTFS).
  - ii. The primary rationale for capital investment in properties will be ensuring that statutory duties are met where all other options for doing so have been exhausted. In relation to care leavers with very high risk and complex needs there will also be some opportunity for cost avoidance. Individuals are currently placed in high cost placements, often outside Herefordshire. For care leavers with generally high needs, there will be some more limited cost avoidance opportunity but potentially significant savings achieved across the wider public service and criminal justice system. Recent placement costs to the council for care leavers across both these cohorts are at an average of £1,380 weekly or £71.7k annually. For those with the highest risk needs, costs generally exceed £2k weekly or £105k for one year. Costs of direct support in newly acquired accommodation are likely to be appreciably lower, subject to detailed

business cases and procurement. Such cost reductions would be achieved by sharing staff costs between at least 5 care leavers and by separating support costs from the cost of accommodation.

- iii. The capital costs will vary for individual acquisitions and are likely to be within the range of £100k to £700k, including initial improvement and furnishing costs and depending on the size and intended use of properties. The proposed properties will generate income from rent, typically met from housing benefit. The income will be managed and accounted for to ensure that it largely subsidises maintenance and management costs of the properties. Where there is a particular risk of high costs of repairs associated with the user group, these will be managed by way of a specific sinking fund or reserve. Applications for enhanced housing benefit will be calibrated to provide for this where required. Steps will also be taken to ensure that the ownership of properties and income from rent does not lead to a duty for the council to establish or operate a housing revenue account.
  - iv. Maintenance and service costs will be met largely from rental income. All enhanced housing management costs would be met from housing benefit or enhanced housing benefit and levels applied for will be set to enable risk of excess maintenance and repair costs to be managed.
26. A full business case will be prepared for each acquisition of property. The business case will also address the costs and wider implications of commissioning any support required and associated enhanced housing management.
  27. There are no particular implications for human resources. Specialist support for care leavers will be commissioned from an independent specialist provider which would not be involved directly in providing housing/enhanced housing management.

## **Legal implications**

28. Section 1 of the Localism Act 2011 provides a general power of competence for councils, giving them the same power that an individual generally has, to act (subject to the council's fiduciary and statutory duties).
29. In addition to this general power of competence, Section 111 of the Local Government Act 1972 ('LGA') provides that councils can act when specifically permitted by legislation or to facilitate the discharge of its statutory functions. Section 120(1) LGA provides the power to acquire by agreement, any land inside or outside its area for the purposes of any of its statutory functions.
30. Acquisition of property by the council for care leavers and young people with complex needs is therefore permitted under the general power of competence in Section 1 Localism Act 2011, and via the powers contained in LGA, under the provisions of the Care Act 2014 relating to the transition into adulthood, of young people with needs for care and support. The council has duties both under the Housing Act 1996 (as amended) and the Children Act 1989 (as amended by the Children (leaving care) Act 2000) to assist certain groups of vulnerable care leavers with accommodation and support.
31. Section 23B of the Children Act 1989 requires that councils provide relevant children with, or maintain them in, suitable accommodation. Guidance (CA 1989 guidance and regs Vol 3 para 7.12) states that bed and breakfast accommodation is not considered to be suitable accommodation other than for very exceptional emergency circumstances and

that such placements should be limited to a duration of no more than two working days. Regulation 9(2) of the Care Leavers Regulations defines suitable accommodation as accommodation which meets a child's health and other needs, which complies with health and safety requirements in rented accommodation and where the council is satisfied as to the suitability of the landlord or other housing provider. The council is also required to take into consideration the views of the child. Schedule 2 to Regulation 9 provides a list of the matters the council must have regard to in determining suitability of accommodation. The list includes safety, support, tenure and affordability.

32. The provision of specialist accommodation to meet the needs of care leavers and other individuals with complex needs will allow the council to meet its statutory duties towards vulnerable young people and support their transition to adulthood.

## Risk management

33. If the proposals in the report are not approved, the existing very significant risks for the council will remain in relation to housing vulnerable people and recruiting and retaining staff. Those include poor or very poor outcomes for care leavers with chaotic and risky lifestyles and those with very complex needs
34. In approving the recommendations in the report, the following risks may arise;

| Risk / opportunity   | Mitigation   |
|--|--|
| Unable to source a suitable supply of properties at reasonable prices  | The present housing market generally offers a good choice of properties and prices, particularly for those types which would be prioritised in the proposed order of acquisition. This will be reviewed on a regular basis.  |
| Property acquisition and individual support becomes more expensive than accommodating the individuals in supported accommodation | All properties acquired will offer flexibility, utility and potential for more than one use. There will be an exit strategy for the each property, should needs or cost modelling change. All properties will also be assessed for their investment value at acquisition so that disposal will generate capital benefit to the council if necessary.   |
| Estimated costs of improvement works for newly acquired properties escalate beyond the budget provision.                         | Property Services in conjunction with its new building services provider has implemented a revised process for the assessment and specification of works in order to drive efficiencies. The current contract enables the Council to seek alternative quotes if the submitted costs are assessed as being too high. Whilst building work budgets do contain a contingency cost element, the cost of work is agreed with the contractor at the outset and has to be with the authorised budget. |

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| Reputational risk and resistance from home owners               | Target purchase of ex council properties, carry out individual risk assessments and avoid over concentration in a particular street/ area.   |
| House price inflation lower than predicted                      | Investment assessments at acquisition will review all factors and reflect good knowledge of the local market. The focus will be long term investment. There would be no impact on any projected revenue savings but would reduce the predicted capital growth. |
| Entering into the market will further stimulate an already busy | The size of the proposed portfolio is very low in the context of the current annual property turnover on the market, therefore the impact will be of limited significance.   |

## Consultees

35. There has been continuing consultation with care leavers and looked after children in relation to housing needs through the corporate parenting panel and in support of the corporate parenting plan and accommodation strategy for vulnerable young people. This has served to highlight the importance of meeting the needs of those care leavers at highest risk and with most complex needs. The decision directly addresses that priority.
36. Political groups have been consulted on the proposed decision and no comments or objections were received.

## Appendices

None

## Background papers

None