

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

3104

Author:

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Department:

Development and Growth

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Subject:

Loans to NCH for the purchase of dispersed properties for homelessness temporary use

Key Decision (decision valued at more than £1million):

Yes

Total Value:

£10.745m (Type: Capital)

Decision Being Taken:

To approve a loan of £6m to Nottingham City Homes (NCH) Ltd on the terms set out below to enable it to purchase 50 dispersed temporary accommodation units, and to approve a loan of £4.745m to fund the 50 properties it has already acquired for this purpose utilising its own reserves. The properties will be leased to NCH's registered provider subsidiary.

To delegate authority to the Director of Finance to approve loan phased drawdowns subject to due diligence as detailed in the enclosed finance comments.

Reasons for the Decision(s)

Homelessness has been rising in Nottingham and elsewhere in the country in recent years. There are a number of reasons for this, but the most significant perhaps are the changes to the welfare benefits system which have made it difficult for people on low income households to sustain accommodation, leading to them losing their home. Whereas in the past the Council was able to direct resources towards the prevention of homelessness, government cuts have reduced the capacity in this area and led to an increase in applications and a need to provide temporary accommodation.

The Council is currently having to use bed and breakfast (B&B) as temporary accommodation for households who have approached the Council as homeless. This has been significantly reduced in recent months; however the aim is to eliminate its use altogether by December 2018. NCH has supported this by purchasing 50 homes on the open market for use as dispersed temporary accommodation units. It is however necessary to purchase up to 50 additional units for this purpose. To cover expenditure it has already made, NCH needs to draw down a loan of £4.745m from the Council as part of the £50m loan facility agreed in the report to Executive Board in December 2016, "Facilitation of Loans to Nottingham City Homes". In order to purchase a further 50, it will be necessary to give NCH an additional loan of £6m, thus extending the overall loan facility to £56m.

These properties will offer a far more appropriate form of temporary accommodation than B&B for people in this situation, particularly children. It will also be a more cost effective solution in the long term.

The NCH RP is the best placed vehicle to deliver the additional units on behalf of the Council as it is able to attract housing benefit at an enhanced rate to fund the additional support that is required in temporary accommodation of this kind. The Council has access to a number of temporary accommodation units, notable its own hostel, Highwood House, and Mellors Lodge, managed by Places for People. Naturally these have been at full capacity in recent times and have been unable to meet demand. In order to provide a more suitable alternative to B&B, NCH has acquired 50 homes on the private market to use as dispersed temporary accommodation units. These properties have made an invaluable contribution to the reduction of the dependence on B&B. Furthermore, they are assets which will remain with NCH when the demand for temporary accommodation reduced, thus making this means of delivery a far better use of resources. The business case for the purchase of up to 50 additional units has been developed by NCH, and is a viable and sensible option to pursue. Making the loans to NCH Ltd and leasing the homes to the RP offers the greatest level of flexibility; if the need for the properties as homeless temporary use reduces it will be possible for them to transfer to mainstream rented housing within the RP.

As with all financial transactions there is a degree of risk - the details of the risks are set out in the financial advice. In order to properly manage this risk, the programme will be overseen through the robust cross-council governance arrangements in place for managing our relationship with NCH

Other Options Considered: To not request the purchase of the additional 50 homes and pursue another option such as a private sector leasing scheme: rejected because the acquisition programme will bring properties on stream more quickly, and also leave NCH with an asset instead of the Council paying rent for leases and, although providing a more appropriate form of accommodation than B&B, seeing no return for this expenditure.
NCH has considered finance in the commercial market, but this has been rejected as it adds additional cost and risk for no particular gain

Background Papers: None

Published Works: "Facilitation of Loans to Nottingham City Homes" - report to Executive Board, December 2016

Affected Wards: Citywide

Colleague / Councillor Interests: None

Consultations: Those not consulted are not directly affected by the decision.

Crime and Disorder Implications: None

Equality: Please login to the system to view the EIA document: EIA dispersed units.doc

Decision Type: Leader's Key Decision

Subject to Call In: Yes

Call In Expiry date: 16/03/2018

Advice Sought: Legal, Finance, Equality and Diversity

Legal Advice:

When providing loan finance to NCH the City Council as a public body must ensure the financial support is not unlawful state aid. The EU Commission has published a decision, which provided certain conditions are met will ensure the provision of funding for public services does not constitute unlawful state aid. The decision includes the provision of social housing. The loan to NCH should come within the terms of the decision provided the City Council makes it clear in the loan agreement that the loan is provided for the sole purpose of purchasing and providing social housing in the form of temporary accommodation for the homeless. The loan rate should be set at a rate that together with any payment by the City Council to NCH to provide the accommodation should not exceed what is necessary for NCH to cover its costs incurred in providing the public service but can include a reasonable profit. If NCH were to take the properties out of social housing for the homeless and put them to commercial use then there would be a need to reconsider the potential state aid consequences. A specific form of words needs to be included in the loan referencing the EU Commission decision and the provision of the relevant public services. The Legal Services team can advise on the appropriate form of words to be included. Advice provided by Andrew James (Team Leader Contracts and Commercial) on 16/02/2018.

Finance Advice:

Please refer to attached finance comments.
Advice provided by Tom Straw (Senior Accountant - Capital Programmes) on 01/03/2018.

Advice documents: 180301 Homelessness NCH Loan.docx

Property Advice:

This report does not raise any significant property issues. However as the loan is to be secured against the properties to be acquired by NCH it is important that the Council ensure that robust systems are put in place by NCH to make sure that the cost of acquisition of the properties plus the cost of works to the properties does not exceed the market value of the completed properties and place the loan in negative equity. Advice provided by Rodney Alan Martin (Senior Surveyor) on 28/02/2018.

Equality and Diversity Advice:

The proposal will provide much needed support to some of the city's most vulnerable citizens and enables the Authority to fully meet its public sector equality duty. Advice provided by Adisa Djan (Equalities and Diversity Consultant) on 02/03/2018.

Signatures:

Jon Collins (Leader of the Council)
SIGNED and Dated: 09/03/2018
David Bishop (Deputy CE, CD for Development and Growth)
SIGNED and Dated: 07/03/2018