

This report will be made public on 7 November 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number: **C/17/58**

To: Cabinet
Date: 15 November 2017
Status: Key Decision
Head of Service: Ben Geering, Head of Planning
Portfolio Holder: Councillor Alan Ewart-James, Cabinet Member for Housing

SUBJECT: Property purchase initiative to increase the supply of affordable and good quality temporary accommodation

SUMMARY: This report sets out a proposal to purchase a property to be used as temporary accommodation as an alternative to expensive and less suitable Bed and Breakfast accommodation. The proposed temporary accommodation is the most appropriate and cost effective method for meeting the statutory requirements of the Homelessness Reduction Act.

REASON FOR RECOMMENDATIONS: Cabinet is asked to approve the recommendations because:

1. The Council's temporary accommodation costs have increased considerably over the last 2 years.
2. The implementation of the Homelessness Reduction Act will further increase the need for temporary accommodation in the district.
3. It is essential for the council to identify a good quality and cost effective supply of temporary accommodation.
4. Direct delivery of temporary accommodation by the Council is a cost effective delivery model.
5. The acquisition/conversion process proposed in this report will be in line with the principles set out in the attached business plan (Appendix 1).

RECOMMENDATIONS:

1. To receive and note report C/17/58.
2. To approve principles set out in the attached draft Business Plan.
3. Agree that a request be made to full Council establish a Capital budget of £1 million for the acquisition and conversion of a suitable property or properties to provide 12 units of temporary accommodation for homeless households.

1. BACKGROUND

- 1.1 Shepway, like many areas across the county and nationally, has experienced an ongoing rise in the number of people presenting as homeless, despite excellent performance in preventing homelessness, for a number of reasons including:
- Government Welfare Reform, Benefit caps and Local Housing Allowance caps limit the number of private rented properties locally that are affordable, therefore the number of working homeless households looks set to grow.
 - The high cost of home ownership has created higher competition for private rented housing and increased rental costs, meaning this option is no longer affordable for many households.
- 1.2 The Council has a statutory duty to secure accommodation for certain homeless households (Part VII Housing Act 1996 (as amended)). Currently, the Council uses a number of private specialist providers alongside mainstream hotel companies. Households can range from single people through to family groups who must be given emergency accommodation if they have no other accommodation available to them.
- 1.3 Over the last few years, there has been an increase in the numbers of homeless people seeking assistance and an increase in numbers of homeless people requiring emergency accommodation. Since there are limited numbers of local providers, the Council must compete with other districts for these finite resources. Where no local accommodation is available, the Council is forced to find more expensive accommodation or look to neighbouring authority areas. These issues clearly affect these homeless people who are already under great stress, but also have a huge implication on Council finances.

2. INTRODUCTION

- 2.1 It is anticipated that the current homelessness trends in the district will become a growing rather than diminishing problem. During 2016/17, 1109 households approached the Council for housing options advice; this represents a 10% increase on the number of presentations received during 2015/16.
- 2.2 At this time the Council has 68 households in temporary accommodation, large households in particular those who are welfare capped pose a particular difficulty in terms of move on from temporary accommodation, while we further predict a probable rise in the need for one and two bedroom units following the implementation of the Homeless Reduction Act (HRA) on the 1st April 2018. A summary of the HRA is set out in Appendix 2 of this report.
- 2.3 As a Council we have a good track record in preventing homelessness. During 2016/17, 444 households were prevented from becoming homeless following

intervention by the Council. However, there will be an impact on service delivery arising from the HRA.

- 2.4 The preparatory work completed to date indicates that once in force, the changes as a result of the HRA will increase the workload of the Housing Options team by up to 51% based upon the Pathfinders authorities experiences to date, and will put further pressure on the authority to use temporary accommodation. This is due to the additional steps that will have to be undertaken as part of our new duties.
- 2.5 It is likely that there will be an increase in the use and cost of temporary accommodation as the length of time customers stay in temporary accommodation is likely to be longer. For example, the length of time which intentionally homeless households but in priority need will have to be accommodated will double, due to the changes in legislation within the HRA.
- 2.6 There is already a shortage of temporary accommodation available in the area due to the rising numbers of households who are in temporary accommodation and the lack of move on accommodation. There will be further financial pressures as councils affected by the legislation changes compete for available accommodation, which will put pressure on the nightly rates paid for accommodation.
- 2.7 In summary with the levels of homelessness continuing to rise, the number of cases owed the new duties will increase. We are already faced with a shortage of affordable housing options in the private rented sector and social housing.

3. PROPOSAL

- 3.1 The proposed solution is to consider the provision of emergency temporary accommodation directly by the Council and not through the use of standard temporary accommodation (i.e. hotels and guest houses), thereby removing the profit margin from such suppliers. If the Council owned an appropriate asset, the cost of emergency accommodation to the Council would be substantially reduced and the quality of the accommodation assured.
- 3.2 At present, the Council does not own a suitable asset, but could look towards to approving an addition to the Capital Programme of a total of up to £1 million to enable the Council to proceed with the purchase and repair of a property/properties as set out above (and set out in detail in the attached business case document in Appendix 1).
- 3.3 In order for such a scheme to be viable, the annual cost of provision must provide for management of the site and maintenance of the site. In addition, the benefit of the scheme must be realised which is to reduce the overall cost of emergency accommodation to the Council.
- 3.4 The expectation is that the proposal will be required for a minimum period of ten years, therefore any proposal must also ensure that the asset value at the end of the ten years is sufficient to provide a return on investment.

- 3.5 A need in the community has been identified, in this case, homelessness and the lack of affordable B&B accommodation for families. The outcomes of the project include reducing homelessness rates and spend on B&B accommodation, as well as other outcomes that strengthen the key corporate priorities.
- 3.6 Where possible we would like to identify option where a building can be easily converted and with relevant planning requirements in place, e.g. an existing guest house or care home.
- 3.7 A Temporary Accommodation Officers Working Group was established in May 2017. Officers have reviewed the details of a number of suitable residential properties, which have been used as example guides for the purchase and conversion to temporary accommodation.
- 3.8 Initial capital costs are projected to be approximately £1 million. This will enable the acquisition and conversion of 6 x 1 bedroom flats to provide 12 x bedsit flats with shared bathroom facilities and self-contained kitchenette facilities. The bedsits can be occupied individually by small households or combined to provide accommodation for larger families. The flats could be acquired in one separate property or in two or three properties. The proposed temporary accommodation will also provide the Council with a capital asset, which will appreciate in value over time.
- 3.9 An initial assessment must be made on any property, as planning requirements to change usage, seeks permissions etc. will increase any timelines.
- 3.10 The current average cost of providing emergency temporary accommodation per household is £55 per night, per room or £385 per week, or £20K per annum. For twelve units of accommodation, this equates to £240,240. The income available from housing benefit is capped at £86.30 per household per week (in line with LHA), equating to £4,487.60 per annum. Therefore, for 12 units of temporary accommodation, the Council only receives a DWP subsidy of £53,851.20. The provision of 12 units of temporary accommodation delivered directly by the Council could achieve an annual bed and breakfast (B and B) expenditure saving of £186,388.52 (£240,240 minus £53,851).
- 3.11 Following a successful bid submission by the Council, the Local Government Association has recently confirmed that at nil cost to the Council, it will provide a dedicated LGA advisor for 14 days who will work with us over a 12 month period in order to support the temporary accommodation project by:
- Assisting to scope out our project delivery needs and where our efforts might best be targeted (e.g. the provision of temporary accommodation and increasing successful private sector offer).
 - Helping to connect a capital project with the operational requirements of the Homelessness Reduction Act.

- Identifying skills gaps within the Council to support a reduction of homelessness through our operational delivery and capital projects and make recommendations of how this can be addressed.
- Exploring external investment and partnership opportunities to help promote, facilitate and enhance Shepway District Council's role and capacity to meet local housing need.
- Exploring the project's legacy and future planning e.g. new models and opportunities for providing housing, which would add to the offer of social housing, affordable housing and private rented sector.
- Considering greater responsibility on the part of London placing boroughs to contribute to supply or resources in Shepway relating to the households they move into the district.

4. CONCLUSION

4.1 This report presents the business case to proceed with the option to purchase a property/properties for letting as temporary accommodation. It offers many benefits as follows:

- It increases the supply of temporary accommodation stock within the district and reduces uncertainty of availability. We will be less reliant on the vagaries of supply in the lower quartile private rented market.
- It is a far superior housing solution for families in housing need providing good quality housing in the district.
- It delivers a substantial saving on projected Bed and Breakfast costs.
- It is a relatively quick option to deliver.
- There will be long-term capital asset value which can be realised in future years for the ultimate benefit of the council.
- It assists with mitigating the risk of families in Bed and Breakfast for more than 6 weeks.
- Substantial Bed and Breakfast savings are projected which form part of the benefit to the Council of this proposal.
- The delivery of this option could result in a reduction in net expenditure on Bed and Breakfast of approximately £186,388 per year.

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks to the Council is shown below:

Perceived risk	Seriousness	Likelihood	Preventative action
Increasing temporary accommodation costs.	High	High	Delivery of the proposed Council owned temporary accommodation.
Lack of a suitable supply of temporary accommodation	High	Medium	Delivery of the proposed Council owned temporary accommodation.

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Future reduced level of need for temporary accommodation in the district.	Medium	Low	The Council would be able to dispose of the temporary accommodation units or convert them into fully self-contained units.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (DK)

Part VII of the Housing Act 1996 (as amended) imposes statutory duties on the Council to provide temporary accommodation to homeless applicants in a number of situations. These include circumstances where it has reason to believe that a person may be eligible for assistance, may be homeless and/or may be in priority need (in each case after the Council has completed an assessment and concluded that an applicant is owed the full housing duty.)

6.2 Finance Officer's Comments (LW)

The Business model is included within Appendix 1 of this report. The Business Plan at this stage is only an estimate of costs as no property has been identified. A more detailed financial appraisal will be required should approval in principle be given. The project has the potential to deliver a substantial saving on projected Bed and Breakfast costs. There may be long-term capital asset value which can be realised in future years for the ultimate benefit of the Council.

The Council is assumed to borrow the funding required to make the purchase of a property, which would be repayable within a given timescale. In the event of the scheme not proving viable, if the property was sold, there would be financial implications for the early repayment of the loan

6.3 Diversities and Equalities Implications (SR)

The proposal will have no negative impacts on any protected characteristics and a positive impact on families, including lone parent families and those from an ethnic minority community who are over-represented amongst homeless families and therefore more likely to be housed in less suitable Bed and Breakfast accommodation if this proposal is not taken forward.

6.4 Communications (ML)

There will be a need to allocate resources to produce and deliver the communications plan to communicate benefits identified in the business plan. It will also be necessary to take into account risks associated with any reaction from local residents once the location of property is identified.

7. CONTACT OFFICER AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

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The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1: Business Case

Appendix 2: Summary of the Homelessness Reduction Act