

Wards affected:

General

Strategy Group – 9 July 2020

Provision of Temporary Accommodation

Housing and Environmental Health Issues

1. Purpose of Report

To seek approval for the acquisition of properties for temporary accommodation to improve services and reduce costs.

2. Advice

<p>That it be RECOMMENDED:</p>	<ol style="list-style-type: none"> 1. A budget of £3.888 million in 2020/21 is created from general capital reserves and borrowing as required to fund the provision of additional temporary accommodation. 2. That the approach to provision set out in the report is approved. 3. That there be no requirement for detailed scheme approval under Financial Regulation 4.6.1 prior to committing monies from this budget. 4. That separate revenue budget growth of £13k per year is approved for the Finance Service to process financial transactions relating to homelessness.
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3. Introduction

The Council has statutory responsibilities to seek to prevent and relieve homelessness. The demand for these services has increased markedly in recent years. This has a number of causes, including changes to the benefits regime, the changes to the Council's duties introduced by the Homelessness Prevention Act 2017, and most recently the severe economic shock produced by the Covid-19 pandemic and measures taken to control it.

The effect of this increase in demand has manifested itself in a range of ways, including a need for more staff in Housing Options to support people who are homeless, or who are at risk of becoming homeless. However, it has most obviously resulted in a substantial increase in the amount of temporary accommodation required. Apart from the personal suffering and social disruption this represents, it is also an extremely expensive service to provide on an ad hoc

basis. Therefore solutions which better support people and also reduce the Council's costs are desirable.

The Council has in consequence purchased a number of properties for use as temporary accommodation, and a report seeking approval for a further one-off purchase appears elsewhere on tonight's agenda (justified by the particular circumstances of that case). However, given the sustained level of demand, there is a case for a more strategic approach to providing temporary accommodation. This report sets out a proposed approach.

4. Information

4.1 Context and statutory duty

Prior to April 2018, the primary homelessness legislation, Part 7 of the Housing Act 1996, placed limited duties on local housing authorities to provide advice and assistance to those that are homeless or threatened with homelessness. The amendments made by the Homelessness Reduction Act 2017 increased the prevention period prior to homelessness from 28 to 56 days, so Housing Options begin working with a customer two months prior to the homelessness occurring. It also increased the duties imposed on local housing authorities. They now need to provide 56 days in prevention duty, 56 days in relief duty and a further main duty (if accepted). The legislation also introduced the same length of duty and level of service for non-priority need groups, meaning all households are now entitled to the 56 days prevention and additional 56 days relief duty irrelevant of whether they are priority need or intentionally homeless.

A significant proportion of the approaches made to the Council are at the relief stage (60%) at which any household with a priority need would be offered temporary accommodation. More typically for this region the percentage of approaches made at relief stage is 45% meaning other areas have more clients approach during the prevention duty, thereby allowing for more prevention work to be undertaken to avoid the need for temporary accommodation.

The Suitability of Accommodation Order 2003 and Code of Guidance sets out that bed and breakfast accommodation ("B&B") should only be used for very short-term stays and advises that wherever possible, housing authorities should avoid using bed and breakfast accommodation unless, in the very limited circumstances where it is likely to be the case, it is the most appropriate option for the applicant. It further guides that this type of accommodation should only be used for family households as a last resort and then only for a maximum of six weeks. The Ministry of Housing, Communities and Local Government (MHCLG) further asks that councils cease the use of B&B for 16 and 17 year olds, and that a one bedroom property is kept available for such approaches.

4.2 Demand

The Council seeks wherever possible to avoid the use of B&B. However, the level of demand has meant that this has been unavoidable. Figure 1 shows the position over the bulk of the last two financial years and Figure 2 shows more recent information. Tables 1 and 2 summarises the position. As can be seen,

even over the extended period used in Table 1, only 10% of the time were there less than 15 people or households in B&B.

The more recent periods show 18 and 22, respectively, as the number of people or households in B&B at least 90% of the time. Whilst it is welcome the Council has since April 2020 succeeded in keeping families out of B&B, many individuals and some couples have needed to experience the unstable environment this offers.

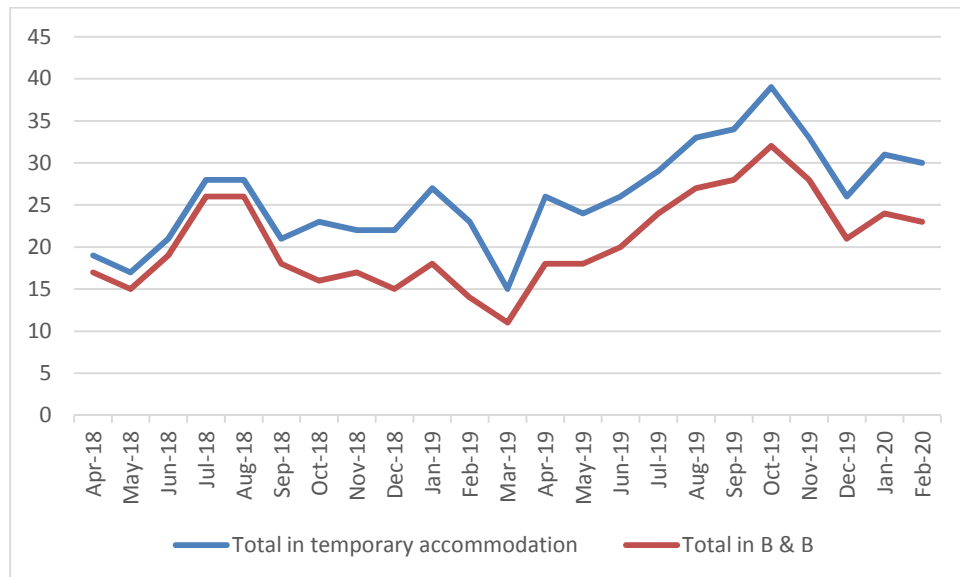


Figure 1: Temporary accommodation over 2018/19 and 2019/20

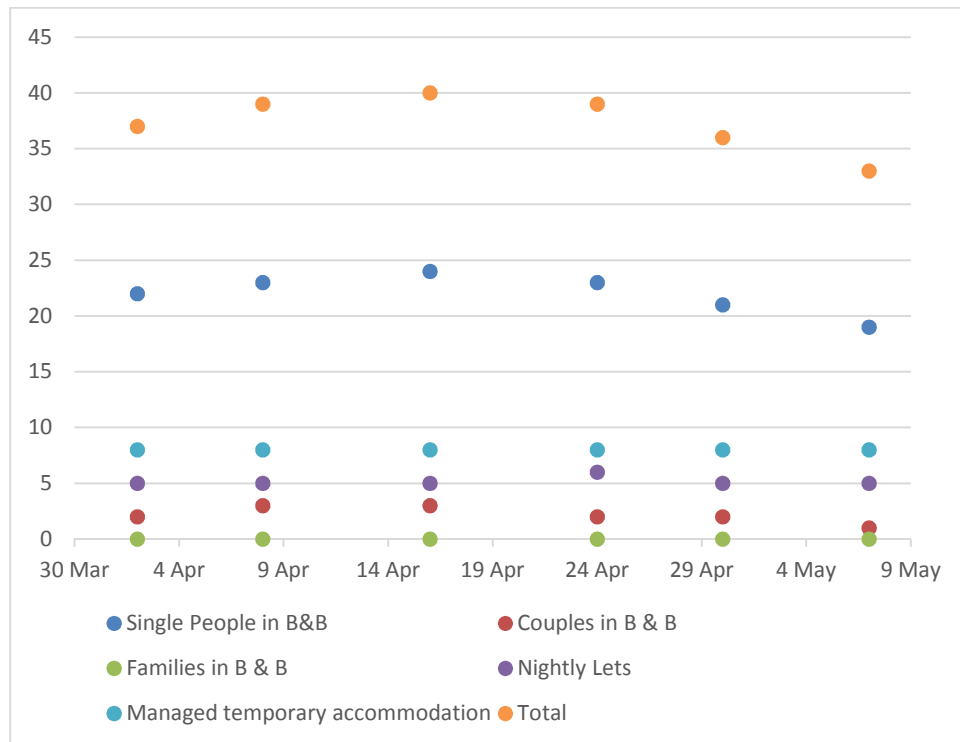


Figure 2: Recent use of temporary accommodation

	Total in temporary accommodation		Total in B & B	
	Whole period	12 months to Feb 2020	Whole period	12 months to Feb 2020
10%ile	19	24	15	18
25%ile	22	26	17	20
Median	26	30	19	24

Table 1: Summary of occupation data from Figure 1

	Single People in B&B	Couples in B & B	Families in B & B	Nightly Lets	Managed temporary accommodation	Total
10%ile	20	2	0	5	8	35
25%ile	21	2	0	5	8	36
Median	23	2	0	5	8	38

Table 2: Summary of occupation data from Figure 2

4.3 Costs

In addition to the costs it imposes on those using it, B&B is expensive for the Council to provide. Allowing for clients contributing or housing benefit being claimed B&B cost the Council £314,187 in the 2019/20 financial year. This covered 7,486 nights (roughly 20.5 years) of stay, therefore equating to £42 per night or £15,330 per year.

4.4 Potential measures

The Council has taken a number of measures to alleviate this situation. These are:

- Working with people at risk of homelessness to alleviate the circumstances which may result in them becoming homeless.
- Temporary changes to the Housing Allocation Scheme to facilitate direct placement of people who are homeless or at risk of becoming homeless into social housing.
- Adopting a Temporary Accommodation Policy, providing a framework for decisions on where and how to house people.
- Coming to agreements with registered providers of affordable housing to make a small number of properties available for temporary accommodation.
- Securing agreements for 'nightly let' accommodation with private sector providers.

However, despite these all being done the situation remains as described in Section 4.2.

Whilst each of the above measures will continue to be exercised, the only remaining option to better manage this situation – for the benefit of both the

people concerned and the Council's financial position – is for the Council to acquire possession of more properties for temporary accommodation.

In principle such properties could be acquired on either a leasehold or freehold basis. Leasehold acquisition has the apparent advantage that it could be for a limited period, say five years, avoiding a long term commitment. However, experience to date has been that owners are generally reluctant to lease properties for use as temporary accommodation. Therefore it is likely that freehold purchase would be necessary. Of course, if a property ceased to be required for temporary accommodation it would be possible to resell it. When that is considered it becomes clear that the difference between leasehold and freehold acquisition is less than it might first appear; indeed, a lease normally has a fixed term, so in some respects freehold purchase, with the ability to resell at any point (subject of course to market conditions) potentially offers greater flexibility.

Therefore a programme of freehold acquisitions is proposed. (For clarity, these may include long leaseholds or commonhold, where the leasehold or commonhold is performing much the same function as a freehold, for example in flats.)

4.5 Scale of potential investment and savings

It is suggested it would be appropriate to acquire around 18 properties. This is based on the 10th percentile demand (that is, only 10% of the time was less B&B in use) over the 12 months to February 2020, and as such should be robust against a decline in demand should the Covid-19 effects subside. It would of course be possible to add further properties later if higher levels of demand continued.

Using the 10th percentile demand would suggest the Council should plan for the properties to be vacant 10% of the time, on average. With this assumption, and also assuming a 2.5% interest rate for capital borrowing, £200k purchase price per dwelling and a 50 year economic life of dwellings, the results are shown in Table 3. In addition to the purchases prices, this includes for Stamp Duty Land Tax (SDLT) and various fees and costs which would be incurred. The SDLT rules would produce different results for different ways property was purchased, but assuming 5% overall should be reasonable. A further 3% should be allowed for various fees and costs.

Item	£
Cost avoided: B&B annual costs	13,797
Costs incurred:	
Maintenance	-1,250
Insurance	-300
Council Tax	-147
Staffing	-2,100
Income: 90% 2011 LHA rate*	4,201
Borrowing costs	-7,616
Net saving per year	6,585

Table 3: Indicative annual saving per typical property

Note: * LHA is local housing allowance. The Government allows claims at 90% of the 2011 LHA rate for Councils providing temporary accommodation.

The assumptions made are reasonably conservative. For example, in practice the economic life should be more than 50 years, and at the end of that economic life the dwellings should have some residual value.

On these assumptions capital expenditure of £3.888 million should result in annual revenue savings (after allowing for the cost of the capital) of at least £124k per year.

4.6 Implementation

The Council's requirement would be for one- or two- bedroom properties in or near the town of Daventry, Northampton or larger villages, to reflect where most demand is concentrated. It would wish to obtain the best value for money possible for the transactions concerned. It is therefore proposed that the Council invites tenders to sell one or more properties to it, meeting a defined specification, keeping the location and other characteristics of the properties as open as is practical. This should maximise the competition to sell to the Council and thus maximise value for money. Properties could also be purchased on the open market where they offered value for money.

Given the need for the properties is now, priority would be given to those available in the short term (say three months from date of tenders). This would give some scope to developers to choose to complete properties to offer to the Council, whilst ensuring the benefits of having the properties available was not delayed for too long. At the same time, purchase of suitable properties on the open market would also be explored.

4.7 Local government reorganisation

As with all its other statutory functions, the matters covered by this report will become the responsibility of West Northamptonshire Council (WNC) from 1st April 2021. However, the economic and social realities underlying the proposals set out above will not change. Specifically, there will still be a high level of demand for temporary accommodation, and the amount set out above would be required in (what was) Daventry District.

Given this, the Council taking this action at this time should assist, rather than impede, WNC in delivering these public services and in achieving value for money.

The West Northamptonshire Shadow Executive on 23rd June adopted an Assets, Capital Schemes and Reserves Notification Process. This asks each outgoing council to notify the Shadow Executive if it is proposing to purchase or dispose of assets, enter into new capital schemes with ongoing revenue effects or use reserves in ways not set out in that council's budget. The Shadow Executive, or in cases of urgency the Leader of the Shadow Authority, would consider and if they

judged appropriate endorse the proposed action. Only transactions with a value at or above £100k are covered. Such proposals are initially passed to the Interim (or later permanent) Chief Executive of the Shadow Authority and from him to the Shadow Executive.

In accordance with this process by the time this report is considered it will have been provided to the Interim Chief Executive of the West Northamptonshire Shadow Authority. The outcomes of its consideration by the Shadow Authority will be reported to Members at Strategy Group if possible or full Council otherwise.

4.8 Risks

The risks involved in these matters have been considered implicitly in the analysis above. However, it may be beneficial to set out the major risks explicitly and consider how they are addressed.

1. The demand for temporary accommodation may reduce, leaving the Council with dwellings it no longer needs. This has been addressed by (a) setting the proposed number of acquisitions at a level which appears to represent medium-term stable minimum demand; and (b) by the ability to re-sell properties if they are no longer required. It should be acknowledged that some loss of value may occur on resale, but also that an increase in value is possible.
2. The properties may be difficult to manage. This has been addressed by the inclusion of budgets for maintenance and staffing, to ensure sufficient attention can be given.
3. The Council introducing a new demand into the local housing market may distort it, reducing the value for money achieved. This has been addressed by the proposal to structure the purchases to maximise competition. In addition, it should be noted that the purchase of 18 dwellings is not a particularly large impact on the normal market in the area, and that if Covid-19 depresses demand this may increase the value for money the Council can obtain.
4. The Council may not have the skills and capacity to deliver on the proposed transactions. This would be addressed by the use of suitable professional staff, from the Property or Construction & Development Services, to handle the project. The Council's project management methodology would be used.

Overall, it is considered all the risks are manageable and there is no reason to believe the desired outcomes cannot be achieved.

5. Implications

5.1 Financial – The financial effects are considered at length in the body of the report. In summary, a capital expenditure of up to £3.888m is proposed, resulting in a net revenue saving of at least £118k per year (once the full set of acquisitions was complete). It is intended that the money would all be spend within the 2020/21 financial year, provided suitable properties can be obtained and value for money achieved. For clarity, it is proposed that on each property purchased:

- The budget for B&B accommodation is reduced as set out in Table 3, commencing one month after the purchase completes.
- Budgets for maintenance, insurance and Council Tax, as set out in Table 3, are created.
- An income budget is created as set out in Table 3.

Proposals for increased staffing would be subject to separate approval, once the number of properties was high enough that it made sense to bring additional personnel in.

Given the effects of these proposals would largely be in the period of WNC, and therefore result in capital borrowing, the calculations have been prepared on the basis of borrowing.

Separately, the significant increase in the number of temporary accommodation clients along with the high turnover has put significant pressure on the Finance Service. This increased workload has been causing increasing backlogs in processing invoices and payments of all types for some time now. The Chief Executive will be considering a change to the establishment to address this, but adjustment to the budget requires Member approval. The estimated cost of the additional staffing is £13k. This matter is unrelated to the proposal to acquire additional temporary accommodation; it exists now and is expected to exist in the future irrespective of whether or not additional temporary accommodation is acquired.

5.2 Personnel – Once sufficient properties were in the process of being acquired to justify it, budget authorisation would be sought and the establishment would be altered to allow for additional staffing to manage the properties.

As noted under Financial Implications, there is a need for additional staffing to process the number of transactions generated by the number of homelessness cases the Council needs to manage.

5.3 Legal/Constitutional – The Council can acquire properties to provide temporary accommodation under a range of powers, but probably most usefully under the power of general competence provided by Section 1 of the Localism Act 2011. It is therefore proposed that this is the power used.

That said, there is some possibility that it may be found that in fact the houses were acquired under Housing Act powers. If so, the consent of the Secretary of State would be required to dispose of them. This is currently given in a set of general consents for the disposal of housing land. It currently seems unlikely that much greater restrictions would be imposed on the disposal of such properties, but a change in a more restrictive direction cannot be ruled out.

The Council's Constitution (Financial Regulation 4.6) would normally require 'detailed scheme approval' before expenditure of a budget of this scale would be permitted. However, given the nature of the proposed use it is suggested this is unnecessary in this case; it would also be likely to reduce the speed at which the intended benefits are secured. It is therefore proposed that this requirement is dis-applied.

5.4 Environmental – The proposed acquisitions are unlikely to have any material environmental effects, including on biodiversity or on greenhouse gas emissions. The Council could, of course, choose to invest in energy efficiency measures in the properties it purchases.

5.5 Policy – The proposed acquisition would support Corporate Strategic Plan Objective 3 (Promote Healthy, Safe and Strong Communities and Individuals), Priority H3 (People have the housing they need), perhaps Measure H3.2 (Number of new homes delivered to meet population growth), Objective 4 (To Be an Efficient and Effective Council), Priority C1 (Maximising income generation), Priority C2 (Effective resource and risk management) and Measure C2.2 (Sustainable and prudent medium term financial plan and capital programme adopted by Council (projected level of reserves at end of medium term financial plan period, £s)).

5.6 ICT – No new or modified Council ICT is expected to be required to manage the properties proposed to be acquired. There would come a point where a specific property management system was beneficial, but the numbers involved appear unlikely to require that.

5.7 Crime and Disorder – The proposed acquisitions are unlikely to have any material effect on crime or disorder. When considering specific purchases regard would be had to the potential adverse effects of the use of that property for temporary accommodation.

5.8 Human Rights – Purchasing properties would not adversely affect any of the Convention rights.

5.9 Equalities – The purchase of properties for temporary accommodation is a means of delivering on the Council's statutory duties. To the extent it might involve a degree of differential impact on people with different protected characteristics, it would be lawful as a proportionate means of achieving a legitimate aim, including fulfilling those duties and the Council's duty to secure best value, and helping people at a particularly challenging point in their lives.

5.10 Health and Wellbeing – Stable housing is fundamental to people's health and well-being. Providing better temporary accommodation should therefore immediately improve the well-being of those affected as well as provide a better foundation for them to restore their circumstances.

6. Conclusions

The Council has the potential to both improve the lives of people affected by homelessness and reduce the costs of providing services by acquiring a number of properties for temporary accommodation. It is therefore recommended that a capital budget of £3.888 million is created and approval is given to the approach to acquisitions set out in the report. Separately, revenue budget growth of £13k is needed to enable the Council to process homelessness-related financial transactions, whether or not the acquisition of additional temporary accommodation proceeds.

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Background papers:

None.

Previous minutes:

None.

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