

7. THE PROVISION OF TEMPORARY ACCOMMODATION FOR MSDC

REPORT OF: Assistant Chief Executive
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Wards Affected: All MSDC Wards
Key Decision: Yes
Report to: Cabinet
9th July 2018

Purpose of Report

1. The report sets out a proposal to purchase and lease properties for direct letting and management and thereby minimise the Council's reliance on bed and breakfast and guest house accommodation.

Summary

2. This report, which was considered by the Scrutiny Committee for Community, Housing and Planning on 27th June 2018, demonstrates that by acquiring a portfolio of owned and leased properties the council can significantly reduce the cost of emergency accommodation. At the same time, it will improve the standards of accommodation and the well-being of the households housed in this way. Providing temporary accommodation in the district will enable homeless families to maintain their support networks and to continue to access current schools and employment
3. Appendix 1 provides the background context which supports the proposed approach. It provides detailed information about the costs of providing temporary accommodation in guest houses. Presently the Council spends approximately £346k each year on providing temporary accommodation and these costs are set to increase, mainly due to a shortage of accommodation and the additional duties placed on Councils by the Homelessness Reduction Act 2017. The Council's net spend on temporary accommodation in 2017/2018 was £346k compared to £254k in 2016/17.
4. A feasibility study and business case has been commissioned from a specialist, who has demonstrated how the options to purchase and lease units to use as temporary accommodation can provide financial savings and benefits to the Council. Appraisals Abound summary report is provided in Appendix 2.
5. The report offers a preferred option which was recommended by the Scrutiny Committee for Community, Housing and Planning on 27th June 2018 for approval by Cabinet, utilising the £4m reserves set aside for this purpose, approved by Cabinet on 8th May 2018.
6. Cabinet are asked to note the additional staffing implications of managing the acquired and leased temporary accommodation as well as those required to meet the new duties in the Homelessness Reduction Act.

Recommendations

7. **That Cabinet agrees that the Council acquires a portfolio of up to 20 units and leases up to 10 units to provide temporary accommodation within Mid Sussex District, using the reserves of £4m approved by Cabinet on the 8th May 2018.**

Background

8. Scrutiny Committee for Community, Housing and Planning on 14th November 2017 received a report that provided an overview on Affordable Housing. This was followed by a workshop, "Every Home Matters", held on the 12th of December 2017. This report provides further information about the follow up work that has been carried out since the workshop.
9. At the workshop in December a number of options to provide more temporary accommodation in the District were discussed. This would reduce the amount of spend on temporary accommodation as well as improve the standard of accommodation for homeless households. The options included:
 - The Council purchasing an existing large property to remodel and manage,
 - The Council purchasing a site and or using its own land holdings to develop temporary accommodation and manage it.
 - The Council engaging a housing association to purchase a site to develop a bespoke temporary accommodation scheme or to purchase off the shelf units which they would manage.
10. Appraisals Abound, was commissioned to evaluate further options including a model where the Council bought and managed its own temporary accommodation. A Summary of the report is attached at Appendix 2. The report demonstrates how the option for the Council to purchase and lease its own temporary accommodation would reduce the spend on the temporary accommodation budget significantly, provide a more appropriate solution for homeless households in the district, generate a rental income for the council and provide a potential long term capital investment.

Appraisals Abound Business Plan

11. The business case looked at 3 options to reduce the costs of temporary accommodation based on the Council's known expenditure, the size and types and numbers of households accommodated, and the locations and the costs involved. The options evaluated were:
 - (i) Purchase 20 units to provide a mix of 1, 2 and 3 bedroom units in the 3 main towns as temporary accommodation. The majority of the units would be located in Burgess Hill and Haywards Heath and be 1 or 2 bed to reflect the known needs.
 - (ii) Set up a Private Sector Leasing scheme (PSL) to provide an initial 10 units to use as temporary accommodation (PSL is where the Council leases properties over a longer period from other parties).
 - (iii) Purchase a large unit such as a hotel or care home for the Council to use and manage as guest house type accommodation.
12. Appraisals Abound developed the model using actual purchase prices, costs and rents based on an analysis of properties that met our criteria, across the district in January/February 2018.
13. The Business Plan is modelled over 15 years and shows the income in rent and housing benefit, and outgoings including management, void periods, refurbishment etc over that time.

14. It shows that the Council could reduce costs by £300k per annum by purchasing 20 units within Mid Sussex. In the model and at the purchase prices at that time, the Council would need to use £6.6m in total from its reserves to purchase the units, to provide an overall reduction in costs of £5.7m over 15 years.
15. If the properties are disposed of at the end of the period a capital receipt of c£7.8m would be generated which would finance, ie repay, the initial acquisition costs and the capitalised investment into the units over the life of the business plan. However, the Council would not then have any temporary accommodation and would be in the same position as today. Presently this could not be recommended (although this may change in time) and Members should not therefore assume that the proposed capital expenditure is repaid.
16. If the Council leases 10 PSL properties within Mid Sussex this would produce cost reductions of c£75k per annum when compared to current costs incurred. This option will not incur any capital costs and could be immediately implemented were suitable properties to be identified and agreed. Over a 15 year period it is forecast that the Council could achieve cost reductions of c£1.4m.

Business Case Assumptions

17. Cabinet should note that the business case makes certain assumptions in order to model future cashflows. The most significant are as below:
 - (i) The business case made an assumption that the temporary accommodation would be managed in house by the Council. Costs have been included for so doing.
 - (ii) There were no suitable properties available in Mid Sussex to model option 3 so it is based on the cost of a hotel in Eastbourne which is currently on the market. This assumes an investment of £1.2 million and a total saving over 15 years of £3.5million.
 - (iii) The model assumes that each household accommodated in guest house costs the council £13,600 net per annum (i.e. if we had 30 units this would equate to 408k). Thus for each unit of temporary accommodation that the Council provides, it saves this amount per household per annum, less any management and maintenance costs.
 - (iv) In option 2, PSL, the saving is the differential between costs of rent paid to landlords and the income from rent received by the Council. It assumes 10 PSL units would result in savings based on reduced guesthouse costs of £1.4m over 15 years.
 - (v) In option 1 (purchase 20 units), the plan analyses the costs of purchase/capital investment required, staff resources, running costs, maintenance as well as the rental income and the potential disposal receipt over 15 years. It assumes that the properties will be purchased using capital reserves so no borrowing costs would be incurred.
 - (vi) The capital outlay envisaged by the model assumes £6.6 million from capital reserves with a saving/costs reduction over the 15 year period of £5.7 million based on the assumption that there would be a reduced use of guest house by the same number of units purchased.

Other Options

18. Alternative options not included in the business model include the potential to use Council owned land to build a temporary accommodation scheme which could be undertaken as joint venture with a housing association.

19. Alternatively a suitable site could be purchased for this purpose or an existing property remodelled. The advantage of purpose built accommodation or specifically remodelled accommodation is that this would provide a cluster of units concentrated in one location which would provide economy of scale for management purposes. If the Council were to hold such property in its ownership this could provide the same advantages as Option 1 provided acquisition and development costs provided equivalent value.
20. This is a longer term option which officers will continue to explore and report further to members in due course.
21. Officers will also continue to explore the longer term option of working with a housing association partner to acquire and develop a purpose built scheme but this is likely to take much longer and will not provide a quick solution.

Options in the Appraisals Abound business plan

Option 3 to purchase a hotel/guest house

22. It is not recommended that the Council pursue this option. There were no suitable properties available in Mid Sussex. This option also presents additional risks as the long term value and management and maintenance costs of such a property are financially uncertain.
23. The location of such a property, within another local authority's area, would present challenges. This is an option that can be explored further as a potential joint venture with WSCC and other West Sussex authorities where the capital investment, management and maintenance challenges would be a shared risk. However, initial discussions at the West Sussex Strategic Housing Group have not favoured developing the model.

Option 2 to lease up to 10 properties

24. It is recommended that the Council pursues this option. This would bring temporary accommodation forward in the timeliest manner.
25. It is recommended that up to 10 Private Sector Leased units are taken on if they represent good value and are suitably located. Potentially this option could be used to bring empty properties back into use.

Option 1 to purchase up to 20 properties

26. It is recommended that the Council pursues this option. The advantage of Option 1 is that subject to approval officers can immediately proceed with the purchase of units for temporary accommodation. This will have a positive impact on the temporary accommodation budget. This option also provides a long term investment opportunity for the Council.

Making the Business Plan a Reality

Funding

27. At the Cabinet meeting of 8th May 2018, an initial budget of £4 million for 2018/19 was identified from reserves to be used for the purpose of acquiring temporary accommodation.

28. Whilst the business plan made assumptions on the cost of purchasing units, the current property market may provide opportunities to purchase these under the assumed price. The contraction in the buy to let market may have had a bearing on this. Obviously this would be a beneficial factor when reviewing the business plan performance in the future and should mean that the full capital funding set out in the plan would not be needed.
29. If additional resources are required, officers will report the details of this to members and seek approval for such resources should this prove necessary for the successful delivery of the business plan.

Management

30. Cabinet will appreciate that it is absolutely crucial for the efficient and effective implementation of these proposals that the correct staffing resources are in place.
31. The Council has consulted with neighbouring authorities and Housing Association Partners in order to evaluate out sourcing the management of the temporary accommodation. The conclusion of this consultation is that Local Authorities prefer to retain the management in-house to maintain control over the units. In addition there is little appetite from Housing Associations currently to take on the management of temporary accommodation units.
32. An internal Temporary Accommodation Project Group has been set up to deliver the project. The business plan allows for the associated expenditure involved in the acquisition, management and maintenance costs of acquiring the portfolio of properties to be absorbed and funded through the overall savings on temporary accommodation spend.
33. The business plan demonstrates that two new posts within Housing Services can be funded over the course of the plan period though the savings achieved. These are the new post of Temporary Accommodation Management Officer who will manage both the council owned and Private Sector Leased properties and the Temporary Accommodation Homelessness Prevention Officer who is already employed on a temporary contract. This role supports those in temporary accommodation to ensure that vulnerable households receive the support that they need to manage their housing. They also ensure that Housing Benefit is in payment and contributions are collected where applicable to facilitate the move from temporary accommodation into more permanent suitable accommodation as soon as possible.
34. Given there is a time lag between the plan being fully implemented (ie properties purchased and let), the costs of these two posts can initially be funded on an interim basis from Flexible Homelessness Support Grant (FHSG).
35. The Government has provided 'New Burdens' funding to mitigate the impact of the implementation of the Homelessness Reduction Act. In addition Flexible Homelessness Support Grant has been provided to Local Authorities partly to alleviate the financial pressures on temporary accommodation. The funding is provided to assist with the implementation of the new legislation and to enable the council to have additional financial resources available to prevent and relieve homelessness. The funding is ring fenced for this purpose.
36. These posts would then be added to the establishment in the usual way.

Consideration of the report by Scrutiny Committee for Community, Housing and Planning

37. A report was presented to the Scrutiny Committee for Community, Housing and Planning at the meeting on 27th June 2018. Members were unanimously supportive of the recommendation to Cabinet.
38. Members commented on the importance of having staff in place to provide good management of the properties and the tenants. They also commented on the importance of this initiative in providing a good service to homeless people, who currently have to be placed out of the District, away from support systems, schools, employment etc.
39. Scrutiny Members raised concerns about the £4 million reserve when the Appraisals Abound Business Plan identifies an investment of £6.6 million. Members were advised that the £4 million is an initial sum and the business case is indicative only, therefore the benefits are scalable. Members were further advised that if additional resources are required and necessary in future to achieve the aims of the business plan then officers will seek approval for additional resources to be provided.

Financial Implications

40. Once fully implemented, it is expected that the direct provision of TA will reduce the net cost to the Council to £35k from £408k. This represents a saving of £373k on an annual basis in year 1. This is based on the assumption that all 30 units are utilised. If the demand is less then the savings will reduce accordingly. If 20 units are utilised, than the first year saving would be in the region of £250k.
41. Cabinet will appreciate that this is not guaranteed, and that there are a variety of factors that may affect the actual saving. This will be closely monitored both as part of the implementation and at the annual review

Other Material considerations

42. There are risks associated with the provision and management of temporary accommodation include rent arrears, anti-social behaviour, neighbour complaints, damage to property and unoccupied/void periods when there is a loss of rental income and also reputational risks. There are also risks involved in the legal process to gain possession of the properties when the duty to the household under the homelessness legislation has come to an end.
43. These risks will be mitigated by the effective and robust housing management and effective legal processes which will be put in place. It is considered that these are risks that can be managed and mitigated and they are considered to be outweighed by the benefits set out in the report.

Appendices

- Appendix 1 – Background context
- Appendix 2 – Summarised report – Appraisals Abound

Background Papers

Appraisals Abound Homelessness Business Plan Full Report – June 2018