

Temporary Accommodation review and the consideration of additional resources.

REPORT OF: Assistant Chief Executive
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Wards Affected: All
Key Decision: No
Report to: Cabinet
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Purpose of Report

1. This report provides Cabinet with an update on the progress made to provide temporary accommodation in the district through acquisition and leasing since August 2018.
2. It examines the continuing demand for temporary accommodation and proposes options to respond to this.
3. It recommends additional resources be provided to meet the increased demand for temporary accommodation in Mid Sussex.

Summary

4. In July 2018, Cabinet agreed a project to acquire a portfolio of up to 20 units and leases for up to 10 units to provide temporary accommodation for homeless households within the district using reserves of £4 million approved in May 2018.
5. Since then, the Council has acquired 14 properties and it is expected that one further property can be acquired £4m by the end of this financial year. Action to secure private sector leased properties is in progress with the aim of meeting the original target of 10 later in 2020.
6. These acquisitions enable the Council to provide high quality temporary accommodation while also reducing expenditure on guest house accommodation. It is estimated that the new accommodation will save approximately £240k each year. This is in line with the original business case with an estimated saving of £3.6 million over 15 years.
7. However, there is a continuing and increasing demand for the service. At 1 January 2019, there were 40 households in temporary accommodation in the district. On the same date in 2020, there were 72 – an 80% increase. At the 31st of January the number had increased to 81 with 41 in guesthouse. Responding to this demand is increasing expenditure on guesthouse accommodation, with an identified budget pressure of £61k at the end of December 2019, which has further increased to £111,651 at the 31st of January.
8. The largest rise in demand for temporary accommodation is from single households – this has doubled since 2017. Many of these are vulnerable, having mental health and other complex needs. 58% of demand for temporary accommodation in Mid Sussex is from single households and 63% of these have mental health needs.

9. Given this demand, it is proposed to extend the project in two ways by creating a specific reserve of £ 4.2m, as follows.:
- Purchase five additional properties to respond to the increasing demand for temporary accommodation and to offset the cost pressures arising.
 - This meets the original target of acquiring 20 properties for use as temporary accommodation
 - It is estimated that five properties can be acquired and refurbished for £1.4 million, while delivering further savings of c£62,500k per year by avoiding guesthouse costs.
 - It is estimated that existing staff capacity is sufficient to manage a total portfolio of 30 properties – there is therefore no further revenue investment required to deliver these additional units.
 - Acquire accommodation units, whether by lease or by purchase, which specifically meet the needs of single homeless people with mental health or complex needs.
 - The estimated cost of purchasing 10 units for this group is to be c £2.8 million. The annual savings from this investment would be c£125k.
 - There will be revenue implications in terms of providing intensive housing management support. It is proposed that this is funded through Flexible Homelessness Support Grant (FHSG).
10. If agreed, the first proposal may be taken forward in line with the existing work. The second proposal will require further work in terms of preparing a new property specification and commissioning intensive housing support.
11. Officers are proposing to ask Cabinet to allocate £4.2 million into a specific reserve to take this initiative forward.

Recommendations

1. **Cabinet are recommended to:**
- (i) agree to provide additional resources of £4.2 m as a specific reserve to acquire temporary accommodation in order to meet the Council's statutory responsibilities under the Homelessness Legislation.**
 - (ii) agree initially to make available £1.4m to purchase 5 properties. The additional funds reserved to be accessed in stages as funds become available.**

Background

12. The Council has a legal duty to provide temporary accommodation to comply with the Homelessness Reduction Act 2017 and the Housing Act 1996. This requires that those who are homeless and in priority need are accommodated until decisions are reached on their homelessness application and they can be moved on once there is accommodation available.
13. The demand for temporary accommodation is proportionate to the demand for housing more generally and the lack of affordable housing. The impact of welfare reform has created additional pressures. Temporary accommodation is one part of the tools available to respond to housing need. It is a short-term provision only for the time it takes to reach decisions on new homeless applications and to move people on into more settled accommodation.
14. Some of the accommodation used for these purposes is nightly paid guesthouse accommodation. This is expensive and of variable quality; most is outside the District.
15. In July 2018, Cabinet agreed to purchase up to 20 units and lease up to 10 units to provide temporary accommodation in the District using a reserve of £4 million previously approved in May 2018. The objective of this investment is to:
 - provide a higher quality solution for homeless households than the guest house alternative
 - reduce the Council's spend on temporary accommodation
 - generate a rental income to the council
 - provide a long-term capital investment through the acquired properties.
16. The Council's approach to acquiring temporary accommodation is based on an analysis by Appraisals Abound, a specialist advisor. They produced a business plan which analysed the costs and benefits of acquisition and leasing of properties in relation to the expected savings to be made through decreased use of nightly paid guest house costs. The plan assumed that the acquisition of 20 properties would deliver savings of £5.7m over 15 years, and that leasing 10 properties would enable cost reductions of around £1.4m in the same period.
17. This report reviews the progress of the project and considers next steps.

Review of project delivery

18. A cross-service project team, led by Housing, was set up to deliver the TA project from August 2018. This was in recognition of the fact that the acquisition and management of residential property is a new responsibility for this council that has not owned its own residential property for approximately 30 years. A temporary accommodation management officer was appointed in November 2018.
19. A specification of types and location of properties to be purchased was agreed. The lasting investment value to the council was also a key consideration so that the properties purchased were in reasonable condition and likely to hold their value over the medium to long term.
20. To date, the team has acquired, refurbished and brought into use 14 TA properties. One further property is in the process of acquisition.

Location	1 bed properties	2 bed properties
Burgess Hill	3	3 (includes one wheelchair accessible property)
Haywards Heath		6
East Grinstead	1	1

Assessment of success

21. In August 2019, Appraisals Abound were commissioned to review progress on the project, and to consider this in relation to the demand for the service.
22. Their review concluded the following:
 - The Council has acquired properties at lower prices than the original business plan - 9% lower cost for 1 bed flats and 15% for 2 bed houses.
 - The average cost per dwelling is £276,369 (this includes an average purchase cost of £262,507 plus average cost of works and fees of £13,861.87).
 - It is taking an average of 3 months from the purchase of a property to the initial letting; this is not uncommon when compared to other Councils.
 - The Council has been able to charge higher rents than the original business plan assumed. This is due to the Council being able to charge current LHA rents as a minimum on the properties acquired compared to 90% of the 2011 LHA rates contained in the original model.
 - It is forecast that the Council will have 15 properties in management rather than 20 assumed in the original business plan. This means that the management cost per unit is higher than envisaged because it is a fixed cost. This unit cost will be offset when leased properties are added to the portfolio.
 - Management of the stock:
 - Void periods to date average 28 days
 - Number of households accommodated to date is 21
 - Number of households rehoused into social housing is 11
23. The impact of the acquisitions is summarised below:
 - Savings achieved to date are c £82k (when compared with the cost that would otherwise have been incurred using nightly paid accommodation)
 - It is estimated that the accommodation acquired to date will save approximately £240,000 each year.

- This is in line with the original business case with an estimated saving of £3.6m over 15 years.

Private Sector Leasing (PSL)

24. The business plan envisaged that 10 properties would be leased from private owners to provide temporary accommodation in addition to the acquired properties. The model provides for properties to be leased at a set rent for the whole period of the lease with rent level at up to 20% less than market rent dependent on rent agreed through negotiation.
25. PSL properties are leased for periods of between 2 and 5 years. Housing Benefit rules require that the Council can only charge a rent equal to the Local Housing Allowance rate for 2011 to the tenants. This means that there is a shortfall between the rent that will be paid to landlords and the rent the Council receives from the tenant. Appraisal's Abound review calculated that there would be a deficit of between £8,000 and £11,000 on each PSL property annually depending on the size of the unit. This still presents a significant saving on the cost of guest houses and of course provides a better standard of accommodation for homeless households.
26. Progressing this part of the TA project was deferred initially to focus on the acquisitions due to the staff resource required. Officers are now focused on delivering the 10 PSL properties by stepping up efforts to lease properties through targeted adverts and utilising all networking opportunities. Several PSL options are currently being evaluated and actively pursued including a new development that can provide up to 4 flats and a large newly converted property that could provide a shared house for up to 6 people. If negotiations are successful, these should come on stream later in the spring.

Current and future demand for temporary accommodation

27. The Homelessness Strategy for 2020-2025, considered by scrutiny committee in January 2020 is due to be approved by Council on 1st April 2020. The strategy includes an assessment of the increased demand for temporary accommodation. In addition, the Appraisals Abound report provides a detailed assessment of this increased demand.
28. Homelessness is increasing nationally, and the pressures in Mid Sussex mirror national pressures. Official figures released in December 2019 showed that nationally there has been an 11.4% increase in the number of households homeless over the past year and nationally the numbers in TA are the highest in over a decade (Shelter). The Local Government Association report in January 2020 showed council spending on guest houses rose by more than a fifth from £93m in 2017/18 to £114.9m in 2018/19. There are 7,110 homeless households currently in guesthouse, a 15-year high and 69.3% of English councils are overspent on their homelessness budgets.
29. In Mid Sussex, there has been a 40% increase in households the Council has a duty to house between 2018/19 and 2019/20.
30. Headlines provide further evidence of the increased demand:
 - In the first quarter of 2018/19, 48 households were in TA compared with 67 in the same period in 2019/20.

- At 1 January 2019, there were 40 households in temporary accommodation in the district. On the same date in 2020, there were 72, an 80% increase.
- Households are staying in TA longer, due to the impact of the Homelessness Reduction Act which means that the Council has increased duties and an increasing number of people with complex needs that are difficult to move onto more settled housing.
- The largest rise in demand for temporary accommodation is from single households, this has doubled since 2017. The largest growth in demand for temporary accommodation is from single people: 58% of households in TA in June 2019 were single people. This is a 230% increase since June 2017.
- Many of these single homeless people are vulnerable, having mental health and other complex needs: 63% of single homeless people in TA have mental health needs.
- The increase in numbers in guesthouse accommodation means that there is an identified budget pressure of £61k at December 2019 and £111,651 at 31st January 2020.

31. The demands of homelessness and the consequent provision of temporary accommodation is likely to increase further:

- The Council has seen an increase in demand for temporary accommodation. The Council had 873 approaches in 2018/19. This could increase to over 900 in 2019/20 if the trends in 2018/19 continue.
- Based on current trends, Appraisals Abound have concluded that the number of households in TA could increase from 139 in 2021/22 to 380 by 2024/25 resulting in a potential budget increase from £539k to £1.232m.
- If trends continue over the next 5 years and the Council only had guest house accommodation available, the costs could be in the region of £3m.

Options to address the increasing demand

32. Given the current and future pressure on the service, there is a need to consider options to expand the available provision of temporary accommodation, while also reducing the cost burden on the Council arising from reliance on guest house accommodation for homeless households. The data above suggests that this could be a significant budgetary pressure going forward.
33. Officers have estimated that a total of 30 TA properties could be managed within existing staffing resources.
34. On this basis, there is an option in the short term to purchase five further properties. The estimated cost of this is £1.4 million, while delivering further savings of c£80k per year. No further revenue investment would be required. It is expected that this work would be completed in 2020/21.
35. In the medium term, there is a need to consider further acquisitions to boost the Council's ability to respond to the specific demand of vulnerable single households and to meet increasing demand.

36. This is a different challenge from the work to date because these households will require different types of properties and housing support. On the assumption that 10 units would be enough to address the current need, a budget of £2.8 million is proposed. Based simply on savings on guest house accommodation, this investment could deliver savings of £160k per year.
37. There will however be revenue implications because of this investment, in relation to additional staffing requirements. There is potential to expand the resources available to support and manage these households using Flexible Homelessness Support Grant (FHSG) to either directly employ support officers or to commission a support and intensive housing management service from a specialist provider such as Sussex Oakleaf.
38. It is acknowledged that these proposals respond only partly to the projected increase in demand set out by Appraisals Abound. Officers will continue to keep the rising demand under review annually.

Policy Context

39. The report supports and contributes to the priorities in the Corporate Plan to provide effective and responsive services, to provide strong and resilient communities and to achieve financial independence. The provision of good quality temporary accommodation within the district for homeless households will assist with the well-being of these households who are amongst the most vulnerable in the community. The investment in these properties will provide long term assets for the Council and contribute to a reduction in the costs incurred to meet statutory obligations under the homelessness legislation.

Other Options Considered

40. An alternative option would be to not invest in the acquisition of more temporary accommodation. The projection of increased demands on the service indicate that It is likely that the costs incurred by the Council by providing temporary accommodation through nightly paid guest houses are likely to increase significantly.

Financial Implications

41. The recommendation is for a specific reserve of £4.2m be provided to be invested in the provision of temporary accommodation. By investing in the acquisition of additional properties the costs of meeting the Council's statutory obligations should be reduced as less nightly paid guesthouse will be required.

Risk Management Implications

42. The acquisition of 5 additional properties to add to the temporary accommodation stock is low risk because 14 units have already been successfully delivered that are in management housing homeless households. The provision of an additional 10 properties to specifically meet the needs of single vulnerable people presents more of a risk. These households may have complex and challenging needs and the management of these properties will require a different approach. To mitigate the risk, it is intended that we provide an intensive housing management and support service to these households. This will either be commissioned in house or through a specialist housing support provider. The funding for this service can be provided from Flexible Homelessness Support Grant in the short to medium term.

Equality and Customer Service Implications

43. The Equality legislation requires the Council to have “due regard” for advancing equality involves removing or minimising disadvantages suffered by people due to their protected characteristics. and taking steps to meet the needs of people from protected groups where these are different from the needs of other people. Homeless households can meet the protected characteristics criteria as set out in the Equality Act 2010. These can include age, both young and older people, disability, pregnancy and maternity. The provision of good quality temporary accommodation in the district, close to support networks and health care will assist with the health and well-being of such households and lessen the otherwise negative impact of experiencing homelessness.

Other Material Implications

None