

Rother District Council

Report to:	Cabinet
Date:	8 April 2024
Title:	Temporary Accommodation Investment Strategy and Temporary Accommodation Purchases
Report of:	Joe Powell, Head of Housing and Regeneration
Cabinet Member:	Councillor McCourt
Ward(s):	All
Purpose of Report:	To request funds for the purchase of property for use as temporary accommodation for homeless households.
Decision Type:	Key

Officer

Recommendation(s): **Recommendation to COUNCIL:** That:

- 1) the amended Temporary Accommodation Investment Strategy be approved;
- 2) the current 'Housing - Temporary Accommodation Purchase' capital budget of £12.476m be increased by a further £12m to enable the acquisition of additional temporary accommodation, to be funded by £9m of borrowing and £3m anticipated grant provision from Homes England;
- 3) the additional revenue impact for 2024/25 of £68,000 be approved, to be funded from reserves if service savings are not forthcoming and that the future estimated revenue impacts be noted;
- 4) delegated authority be granted to the Head of Housing and Regeneration to complete property purchases as required, in consultation with Section 151 Officer;
- 5) delegated authority be granted to the Head of Housing and Regeneration to receive Capital Grant Awards to support the purchase of temporary accommodation, in consultation with Section 151 Officer; and
- 6) delegated authority be granted to the Head of Housing and Regeneration to make amendments to the Temporary Accommodation Investment Strategy from time to time in consultation with the Cabinet Portfolio Holder for Housing.

Reasons for

Recommendations: To improve the quality of accommodation and reduce ongoing revenue costs to the Council while ensuring homeless households are well supported in the local area and are enabled to access longer-term housing effectively.

Introduction

1. A key objective within the Council's Housing, Homelessness and Rough Sleeping Strategy 2019-24 (Minute C18/65 refers) is to acquire in partnership, or develop where appropriate, council owned Temporary Accommodation (TA) provision to meet the varied needs of homeless households in Rother. In September 2019, Cabinet approved the allocation of £3m to purchase of accommodation for temporary use by homeless households (Minute CB19/09 refers), on the basis that the investment would save the Council an estimated £70,000 annually, based on the income and cost assumptions used. In March 2021, Cabinet approved a further £6m for purchases (Minute CB20/119), where it was estimated that the additional investment would save the Council £160,000 annually; providing a total estimated annual saving of £230,000. Along with various external grants the total gross capital budget allocation stands at £12.476m.
2. The proposals within this report are designed to work as part of a package of TA solutions. The Council will also continue to use a number of privately owned and well-managed TA establishments.
3. The Temporary Accommodation Investment Strategy (TAIS) has been a success and achieved the aims and objectives it set itself at its inception in 2019. The Housing Solutions team that has evolved since 2019 and now possess the knowledge, experience and skills to effectively purchase, refurbish and manage its own TA, in line with relevant statutory legislation. The Council will be able to continue to improve the model of service it provides from one of high cost, single room accommodation – which is sometimes remotely located – to a model which:
 - provides self-contained accommodation for households with children;
 - increases the amount of TA available locally;
 - ensures a minimum quality standard of accommodation;
 - ensures a minimum standard of property management and support for residents; and
 - reduces costs.

Performance Update

4. The Council has spent approximately £5.4m in previous years and is forecast to spend approximately £6m in 2023/24, which leaves an unallocated balance of approximately £1.1m in 2024/25. The investment has provided the Council with 30 general needs TA units, as well as 12 Housing First units of accommodation. In addition, we are due to complete on a further seven units of accommodation by end of March 2024. The number of units secured is fewer than was originally envisaged due to the challenges in securing larger shared facilities accommodation from the market.
5. The actual costs avoided by the Council annually, based on the 30 units of general needs TA it owns, is £390,000. The increased cost avoidance has been supported by the Council latterly becoming a Registered Provider and, therefore, becoming eligible for external central Government grant from Homes England. In addition, we have required tenants to meet the cost of their utilities directly as well as reviewing and revising the level of rent received.

6. In total we have secured almost £3.5m in additional capital grant on top of the £9m allocation made by the Council. Homes England have since confirmed that it would be prudent to assume that their grants schemes can provide up to 30% match funding against future Council investment.
7. The need for more TA remains a pressing need for the Council. As of February 2024, the Council had 172 households in TA funded from its own revenue budget. The Council's budget for TA continues to increase and at the time of writing, the TA budget has risen to just under £2m next year, which means it will have tripled over the last four years.
8. Therefore, at current values, the proposed investment of a further £9m of Council funds, will mean the Council can secure approximately 50 more units of accommodation and avoid costs in the region of a further £564,000 annually which reflects a return on that investment of 6.3%.
9. Members should note that properties purchased with central Government grant are to be used for the purpose for which they were purchased for 30 years. It is possible to dispose of these properties at a later date, should levels of homelessness fall over time; however, the Council would have to pay back a proportion of the grant received. The exit strategy from the investment will be to first review whether any property owned by the Council can be put to a different use; then, as with any property investment, assets under Council ownership can be sold and the capital receipt reinvested into future Council budgets.

Cost of Temporary Accommodation

10. The table at Appendix A illustrates the average net cost to the Council of TA through private providers, per size of household.
11. The average length of stay in TA is 70 days for single people and childless couples and 86 days for families with children. The average net cost to the Council of placing single households or childless couples in privately-owned TA is £3,266 for the entire length of their placement. The average net cost of a placement is significantly more for households with children, with each placement costing the Council £5,005 on average.
12. Based on the 2-bed houses the Council owns at present, there is a net cost per unit to the Council of £18.67 per night on average (£6,813 per year) as opposed to an average of £46.19 per night (£16,860 per year) for accommodating the same size household through private providers.

Financial Assessment

13. A financial assessment of the income and costs associated with the Council investing a further £9m (£12m including the assumed Homes England grant provision) into TA has been completed using actual cost and income data from the current TA programme. The assessment undertaken includes an illustration of the costs which can be avoided by being able to accommodate households in Council-owned TA rather than in private provision.
14. The table below illustrates the level of investment required to purchase 50 2-bed properties to outline the approximate revenue income and costs the

Council can expect from the investment, as well as the level of costs the Council will avoid by not having to place the households in privately provided TA. It should be noted that, whilst the cost avoidance does not mean we can reduce the revenue budget, it does mean that we do not have to increase the budget further and is therefore relevant to the decision making. Similarly, the cost reduction excludes the impact of any appreciation or depreciation in the value of the purchased properties.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/2030
No. Properties (2 bed)	10	30	50	50	50	50
Income	£80,776.80	£242,330.40	£403,884.00	£403,884.00	£403,884.00	£403,884.00
Cost	-£148,913.99	-£446,741.97	-£744,569.94	-£744,569.94	-£744,569.94	-£744,569.94
Sub total	-£68,137.19	-£204,411.57	-£340,685.94	-£340,685.94	-£340,685.94	-£340,685.94
3rd Party Cost	£181,017.80	£543,053.40	£905,089.00	£905,089.00	£905,089.00	£905,089.00
Cost avoidance	£112,880.61	£338,641.83	£564,403.06	£564,403.06	£564,403.06	£564,403.06

15. At present the forecasts above indicate a revenue budget impact of £68,000 for 2024/25, £204,000 for 2025/26 and £341,000 in 2026/27 onwards. The £68,000 will need to be approved, to be funded from reserves, if savings from the temporary accommodation budget (or elsewhere) are not forthcoming as a result of the additional acquisitions, as they may be offset by additional demand.
16. However as highlighted above without the additional units any additional demand would be at a much higher cost to the Council as indicated by the cost avoidance figures.
17. As this is a 3-year scheme there will be an opportunity to monitor and revise the position if required. The first stage of this will be this autumn as part of the 2025/26 budget setting process when demand levels for the future year may be clearer. At that point we may well be able to realise some savings which would help to lower the borrowing costs of the acquisitions and the full anticipated impacts will be able to be built into the Medium Term Financial Strategy. Identifying further sources of match funding through grant support would also help to reduce the impact.
18. At present the position outlined above represents a worst case position in terms of the revenue impact and does not assume any savings will be available to support the borrowing costs. This position is however based on the assumption that demand does not continue to increase, which may result in further revenue pressures. The acquisition of these additional units would however reduce the cost impact of having to use external providers/private units.

Temporary Accommodation Investment Strategy

19. The financial assessment should be read in parallel with the TAIS at Appendix B which outlines the type of properties the Council intends to acquire for use as

TA, alongside how these properties will be purchased, managed, maintained and repaired.

20. The TAIS has been developed following a review of the level and type of demand for TA alongside a review of local property prices, ancillary purchase costs, investment risks and property management risks. The property management risks and how these will be mitigated are included separately at Appendix C.
21. Since the start of the TAIS, the housing department has expanded significantly and with this recruitment a number of staff have started with established skills, knowledge and experience in housing management and support. Officers are still exploring the cost effectiveness of commissioning specialist support services to improve accommodation outcomes.

Conclusion

22. The purchase of property for use as TA will provide the Council with more control over the quality of TA available locally, as well as being able to achieve greater control of revenue costs. It is estimated that the level of investment recommended will enable the Council to avoid costs of up to approximately £730,000 annually. This cost avoidance excludes the impact of any appreciation or depreciation in the value of the purchased properties.
23. The benefits of any investment need to be offset against both the costs as well as the staffing and resource constraints which exist. The approach will allow the Council to continue to build on the skills and expertise it has established within the Housing Solutions team, enabling the Council to confidently expand its TA management operation for the future.

Financial Implications

24. The financial costs and benefits of the proposal are detailed in the report.

Legal Implications

25. The legal implications of the proposed recommendation are detailed within the report and its appendices.

Environmental

26. The accommodation purchased will be offered to tenants with the following standard: EPC 'C' or above. The housing will comply with Health and safety standards for rented homes (HHSRS) and Decent Homes Standard.
27. In line with the Council's strategic documents:
 - Rother District Council Corporate Plan 2020-2027 – Quality Physical Environment/ Reducing carbon emissions – support low carbon initiatives, reduce fuel poverty www.rother.gov.uk/strategies-policies-and-plans/corporate-plan-2020-2027/
 - [Climate Strategy – Rother District Council](#)

Risk Assessment Statement

28. The TAIS has been amended and describes how the Council will conduct due diligence in order to complete the purchase of residential properties to minimise investment risks.
29. The risks associated with managing TA are detailed at Appendix C. The risks are mitigated by using internal Council resources where these have been assessed as sufficient and recommends the use of specialist contractors or partner agencies where required.
30. It is possible that there may be a reduction in the level of homelessness we experience over time. The exit strategy from the investment will be to first review whether any property owned by the Council can be put to a different use; ultimately any asset under Council ownership can be sold and the capital receipt reinvested into Council budgets.
31. There are also risks associated with choosing not to invest in property for use as TA. The Council has had some success in reducing the rate at which the number of households in TA rose prior to the pandemic; however, in addition to minimising demand the Council needs to reduce the amount it spends on providing TA.
32. There is a risk to Council reputation of continuing to use single room accommodation to house families with children which may be seen as compromising the Council's values and ethics.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	Yes		

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Appendices:	Appendix A - Average Net Cost of Temporary Accommodation Per Household Appendix B – Temporary Accommodation Strategy 2021 Appendix C – Risk Register
Relevant Previous Minutes:	C18/65 CB19/09
Background Papers:	Housing, Homelessness and Rough Sleeper Strategy 2019-24 Health and safety standards for rented homes (HHSRS) A decent home: Definition and guidance for implementation (June 2006 update)
Reference Documents:	List any published documents you want to reference.

AVERAGE NET COST OF TEMPORARY ACCOMMODATION PER HOUSEHOLD

AVERAGE TEMPORARY ACCOMMODATION COSTS							
	Cost Per Night	Days In	Gross	Weekly LHA	Daily LHA	Total LHA	Average Net Cost to Rother
1 Bed Need	58.54	70	4097.50	-83.08	-11.87	-599.36	3266.71
2 Bed Need	66.05	69	4557.34	-114.23	-16.32	-1,311.66	3431.38
3 Bed Need	71.59	53	3794.35	-155.77	-22.25	-1,793.38	2614.93
4 Bed Need	95	137	13,015.00	-206.66	-29.52	-1,092.34	8,970.41

TEMPORARY ACCOMMODATION INVESTMENT STRATEGY 2024

The Temporary Accommodation Investment Strategy will outline the approximate number and types of property the Council will target for use as temporary accommodation alongside how these properties will be purchased, managed, repaired and maintained.

1. Property Purchases

The risks of each potential investment will be considered by carrying out due diligence to include the following:

- Valuation.
- Market Conditions.
- Building surveys.
- Funding options.
- External red book valuations.
- Future costs: e.g. ground rent, service charges, major works, and maintenance throughout the lifecycle of the property.

The Council employ an Acquisitions Officer, to source and oversee each property transaction in-house in partnership with internal colleagues. Other external specialist property investment advisors will be retained on each transaction as required, advising on suitability having undertaken detailed pre-purchase due diligence, including valuation and risk analysis.

The Council will also consider options for the development of property where this is assessed as cost effective, relative to purchases; development options that may include modular construction.

2. Property Standards and Management

All property purchased will adhere to decent homes standards or be refurbished to meet these standards. Properties will be inspected by the Council Environmental Health team to ensure compliance with the Housing Health and Safety Rating Systems (HHSRS) standards.

The Council will ensure each property has a minimum EPC standard of C or above prior to it being used as accommodation to accommodate homeless households temporarily.

Do we need to include a cost for a maintenance operative?

It is proposed that the repairs, maintenance and refurbishment elements of the portfolio be delivered from existing resources within the Council's Housing Needs team with support from the Estates Maintenance and Private Sector Housing teams. We will contract additional specialist services as required.

We currently run the housing management and support in-house through existing resources but may commission an external service at a later date.

Households placed in temporary accommodation owned by the Council will be required to pay utilities bills and council tax directly. This is to help households

to build independence towards moving to permanent accommodation but will also reduce the costs to the council. We completed a consultation with tenants and there was no opposition to this – we had positive responses advising it would help them adjust to independent accommodation.

All white goods supplied by the temporary accommodation residents will be PAT tested by the Council and replaced as necessary where existing white goods are faulty.

3. Property Type, Tenure & Location

Freehold tenure is preferred to leasehold. Freehold provides greater levels of security than a leasehold asset that would effectively decrease in value over time. However, the Council will consider leasehold properties where leases are in excess of 99 years and were former local-authority flats – managed by Registered Provider partners – are available for purchase, following a due diligence process.

In addition, opportunities to acquire either very long leases of 900 years plus or a share of a freehold with flat purchases will be considered. There is the potential risk of purchasing leaseholds with poor quality freeholders or their agents; it is felt prudent to consider such purchases only following proper due diligence of the Freehold and management arrangements; should there be any significant changes to the either the freehold owner or management company that affect the quality of freehold management then a sale of the relevant asset can be considered.

The Council will consider property purchases comprised of mixed commercial and residential use. . The Council will look for opportunities to align purchases with wider strategic regeneration objectives.

The Council will consider property purchases where the present planning use is not residential – such as former residential care homes or guest houses, subject to close consultation with planning colleagues.

Homeless applicants will be accommodated temporarily under the Council's Housing Act powers, which it is able to do when a household is homeless. The applicants will be issued with a non-secure tenancy by the Council by virtue of Homelessness legislation. They do not have security of tenure within the meaning of Section 79 of the Housing Act 1985. They do not have the Right to Buy, Right to Exchange, Right to Succession, Right to take in Lodgers or to sublet. This is the practice presently in self-contained temporary accommodation provided by neighbouring local authorities already managing their own temporary accommodation.

The Council will consider opportunities to purchase property for use as temporary accommodation across the whole of the Rother district with a focus on urban areas which are close to amenities, schools and transport links. The Council will focus on purchasing former local authority housing as these tend to be in urban areas as well as having been built to minimum space and decent homes standards.

4. Property Price

Taking all of the above considerations into account, the following specific criteria are proposed:

- Freehold preferred and leasehold considered where Registered Provider is the Freeholder or the lease is over 900 years; share of freehold is also considered.
- Geographically located within the Rother District.
- Meets decent homes standards or can be affordably refurbished to meet these standards.

Funding for the acquisition of assets should be reviewed on a case-by-case basis.

The Council will review this strategy as the portfolio develops and as the Council's business needs evolve.

It is possible that we will experience a reduction in the level of homelessness we experience over time. The exit strategy from the investment will be to first review whether any property owned by the Council can be put to a different use, for example accommodating households permanently as part of potential future strategic aims; ultimately any asset under Council ownership can be sold and the capital receipt reinvested into Council budgets.

RISK REGISTER

Risk	Likelihood	Impact	Mitigation
1. Tenants experience poor property conditions and a risk to their health and safety.	Low	High	<ul style="list-style-type: none"> All properties will be inspected by the Council to an HHSRS standard before being managed and will receive a minimum 12 monthly HHSRS audit inspection thereafter. All properties will be inspected weekly by the housing management officer. All properties will be installed with smoke alarms and carbon monoxide detectors (where required) and will be tested every month by the Housing management officer. Gas safety certificates. Electrical safety certificates. Fire risk assessments. Complete new gas and electrical certification when properties turnover.
2. Lower than anticipated level of rental income.	Low	High	<ul style="list-style-type: none"> The Housing Management Officer to support applicants to complete housing benefit forms and monitor income. Utilise eviction procedures as required. We have a rent management system.
3. Income reduces as a result of the implementation of benefit reforms or changes in statutory guidance.	Med	High	<ul style="list-style-type: none"> Regularly review the viability of scheme. Property can be sold or repurposed if approach becomes unviable. Tenants can be rehoused by the Housing Needs team where needed.
4. Reputational risk to the Council.	Low	Med	<ul style="list-style-type: none"> Develop a communication and project plan. Regular project performance monitoring. Council corporate scrutiny procedures.
5. Higher than anticipated level of voids.	Low	High	<p>Ensure re-let times are kept to a minimum by:</p> <ul style="list-style-type: none"> timely repairs and void turnaround; close housing management to ensure timely rent; and payments, minimal evictions and minimal absconding.
6. Higher than anticipated levels of eviction and associated legal costs.	Low	Med	<ul style="list-style-type: none"> Ensure all households are assessed to establish support needs and ensure these are met. Ensure residents are supported to secure alternative accommodation which is permanent.

Risk	Likelihood	Impact	Mitigation
			<ul style="list-style-type: none"> • Move households to alternative private sector temporary accommodation provision as required. • Offer households affordable permanent accommodation in the private and social housing sectors.
7. The Council is unable to acquire properties.	Low	High	<ul style="list-style-type: none"> • We have researched property prices and have developed an investment appraisal based on present market prices.
8. Homelessness increases and more accommodation is required to reduce costs.	Med	Low	<ul style="list-style-type: none"> • We will continue to monitor the supply of temporary accommodation relative to demand and present to Cabinet new opportunities for further investment as required.
9. Demand for temporary accommodation reduces and we have an over-supply of TA	Low	Med	<ul style="list-style-type: none"> • Consideration can be given to re-purposing accommodation to other uses – such as private rented sector tenancies. • Property can be sold and the capital receipt retained by the Council.