

Housing and Health Committee Meeting	
Meeting Date	17 th January 2023
Report Title	Temporary Accommodation (TA) Purchase
EMT Lead	Emma Wiggins, Director of Regeneration and Neighbourhoods
Head of Service	Charlotte Hudson, Head of Housing and Communities
Lead Officer	Charlotte Hudson, Head of Housing and Communities
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. To agree to purchase up to 50 properties for TA use within the borough of Swale, with a capital budget allocation of £11m. 2. To recommend to Policy and Resources Committee to establish a capital programme of £11m to spend over the next 2 years. 3. To recommend to Policy and Resources Committee to delegate to the Director of Resources authority to vire the relevant budget from the existing TA budget to new revenue budget for the TAP Project and to account for the capital financing as the scheme progresses. 4. To delegate authority to the Head of Housing and Communities in conjunction with the Director of Resources to purchase properties that meet the criteria used to develop the model.

1 Purpose of Report and Executive Summary

- 1.1 This report provides the Housing and Health Committee with proposals to address the shortage and costs of Temporary Accommodation (TA) in Swale.

2 Background

- 2.1 There is a statutory responsibility for the Council to provide TA to residents if they are homeless and are in priority need or at the relief stage 'reason to believe' they are in priority need.
- 2.2 The number of households in TA at end of Q2 2022/23 was 394 in statutory provision. We have seen a significant increase in the number of households in TA, with an 89% increase since 2019. Swale has the highest level of TA amongst Kent districts. A snapshot analysis showed that Swale had 5.92 cases

per 1000 population in TA at the end of September 2022 where the south-east average is 2.83 per 1000 population. The highest demand for TA is 1 and 2 bed need which equates to 79% at the end of September 2022.

- 2.3 As the Council does not have its own housing stock TA is currently spot purchased from a range of sources. 74% of placements were B&B and other nightly let accommodation, 22% Housing Association properties, the remaining is a mix of supported accommodation and SBC owned properties. The Council currently owns 3 properties that it purchased several years ago to assist with TA provision.
- 2.4 The cost of TA is a significant cost to the Council; the Gross cost of TA between April and September 2022/23 was £2,320,357.55 and £1,510,285.68 has been reclaimed in Housing Benefit. It is also important to note that there are limits on the amount of HB that can be claimed for TA, which is 90% Local Housing Allowance (LHA) rate. The costs of TA have significantly increased over recent months, we have seen a 40% increase in TA costs compared to the same period last year while only seeing a 19% increase in demand. Contributions are only currently collected from working households towards the costs of TA. In addition, the Council receives a Homeless Prevention Grant of £662,077 per year and currently contributes to TA costs. Ideally, this grant should be utilised for prevention and relief services.
- 2.5 The Housing Allocations Policy was changed in 2019, this has enabled more of our homeless households to access affordable homes and for us to discharge our homeless duty. The predominate route from exiting TA is finding permanent accommodation in social housing. Since 2018/19, 638 new affordable homes have been delivered. However, a significant backlog of households remains in TA.
- 2.6 A Housing Options transformation project has been initiated to look at a whole system approach to the service, seeking efficiency improvements and focusing how we can move residents through the service quicker and ensure that stays in TA are as short as possible. Although this is still in early days, improvement in performance is being realised. Despite this provider costs have increased and therefore putting more pressure on the Council's budget.
- 2.7 One workstream as part of the transformation project is to look at the financial elements of TA. How can we minimise costs and maximise income/contributions from the provision of TA. To maximise income, we are improving the collection rates of housing benefit and looking to introduce a contributions policy for households to contribute towards TA costs.
- 2.8 The most significant costs of TA are from those provided on a Nightly Let (NL) basis, the nightly cost for a 1 bed property is currently £39 and a 2-bed property £50. Once maximum housing benefit claim is taken into consideration, this leaves an average monthly cost to the Council of £700 per month for a 1 bed property and £994 per month for a 2-bed property.

2.9 As mentioned earlier in the report 74% of placements are currently provided on this basis. There are a range of providers that provide this type of accommodation and costs of this accommodation have also recently gone up due to inflation and costs of repairs and maintenance. We have also been looking at procuring this type of accommodation across Kent Councils to stabilise costs, but it is still felt that costs will be significant, and these providers also have a market from London boroughs for accommodation.

TA Purchase

2.10 A financial assessment of the income and costs associated with the Council purchasing TA has been completed. 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. The model utilised has been developed by neighbouring local authorities delivering similar temporary accommodation schemes.

2.11 The table below illustrates the level of investment required to purchase 50 properties, based upon 20 1 bed properties and 30 2 bed properties. The table also outlines the 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. The Council would also own the Capital asset and therefore hold the value of the asset.

Table 1 – Summary of TA purchase model

Item	Annual Summary		25-year Profile	
Rent	-£	348,267	-£	8,706,677
Expenditure	£	1,108,419	£	29,484,608
Net Cost	£	739,352	£	20,257,932
Cost of NL TA	£	832,200	£	26,655,615
Net Saving	-£	72,048	-£	5,877,684

Main Assumptions

1. Based upon a portfolio of 20 x 1 bed and 30 x 2 bed properties
2. Average purchase price @£200k across the whole portfolio
3. Stamp Duty @ 6%
4. Annual Interest @ 4.8%
5. LHA Rate claimed @ 90%
6. Voids @ 6%
7. Individual allowances made for maintenance, management, and repairs in the model.

Financing

- 2.12 In order to purchase 50 properties a capital budget of £11m would be required, the Capital financing of the scheme would need to form part of the Capital programme which is being reported to 8th February Policy and Resources Committee. The model has taken into consideration the borrowing and repayment requirements. If this committee agrees this approach then a recommendation will need to be made to Policy and Resources committee for it to be added to the Capital programme.
- 2.13 The annual revenue implications are covered within the existing temporary accommodation budget with the aim of reducing the costs of provision of TA. However, there will be a requirement to reprofile the budget and vire existing budget to the TA Purchase Programme and to account for capital financing.

Management issues

- 2.14 The Council does not presently have the resources, expertise or tools needed to manage all aspects of the properties directly, particularly outside of normal office hours. The property management services would need to be procured, but initial conversations have been had with Southern Housing (Formerly Optivo) who already provide TA accommodation to us. They have provided initial costings which are in line with the modelling. They have highlighted that TA properties can be difficult to manage due to the turnover of tenants and recommend street-based properties over whole blocks of flats. A procurement process would be required to secure property management services.

Option Analysis

- 2.15 This option provides the Council with a net saving of circa. £72k annually compared to present costs and should be viewed as an invest to save proposal.
- 2.16 This option will require upfront investment and borrowing from the Council, but ultimately the Council would own the Capital asset. It would provide more freedom for the Council to purchase relevant properties that would be suitable for TA and in locations that would be suitable for effective management and enable local connections to be maintained. However, the Council does not have the property and management capacity to currently deliver this project and therefore this would need to be procured.
- 2.17 The proposals within this report are designed to work as part of a package of TA solutions. The Council will also continue to use several privately owned TA establishments.
- 2.18 Through the purchase of property for use as TA the Council will be able to continue to improve the model of service it provides from one of high cost– which is sometimes remotely located – to a model which:
- 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

Conclusion

2.19 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 of up to £11million will enable the Council to save approximately £72,000 annually. This cost reduction excludes the impact of any appreciation or depreciation in the value of the purchased properties.

3 Proposals

- 3.1 To agree to purchase up to 50 properties for TA use within the borough of Swale, with a capital budget allocation of £11m.
- 3.2 To recommend to Policy and Resources Committee to establish a capital programme of £11m to spend over the next 2 years.
- 3.3 To recommend to Policy and Resources Committee to delegate to the Director of Resources authority to vire the relevant budget from the existing TA budget to new revenue budget for the TAP Project and to account for the capital financing.
- 3.4 To delegate authority to the Head of Housing and Communities in conjunction with the Director of Resources to purchase properties that meet the criteria used to develop the model.

4 Alternative Options

- 4.1 As part of the review into TA provision, officers also considered long-term leasing option. Two providers were spoken to and schemes modelled, due to the commercial sensitive nature of the discussions the figures are not included in this report. However, the annual savings profiled were similar to the purchase approach. However, the Council would not retain any Capital asset therefore it is recommended that the purchase route provides a more financially resilient model.
- 4.2 To not pursue alternative options for TA provision, this is not recommended due to the increasing costs and impact on the Council's budget.

5 Consultation Undertaken or Proposed

- 5.1 Liaison has taken place with Southern Housing (Optivo) regarding provision of managing agent functions.

6 Implications

Issue	Implications
Corporate Plan	Priority 4 - Continue to reduce dependence on government-controlled funding sources and support staff to find innovative ways to ensure other objectives can be met in the context of diminished resources.
Financial, Resource and Property	<p>The financial implications are discussed in the main body of the report.</p> <p>The cost to purchase 50 properties is circa. £11m.</p> <p>The purchase option shows a saving compared to the current TA operating model of circa. £72k per annum and £5.8 million over the life of the programme.</p> <p>Specialist support will be required in order for maintenance and management of the properties, and this has been factored into the costs.</p> <p>It will be necessary to seek approval to budget changes and inclusion in the capital programme from Policy and Resources.</p>
Legal, Statutory and Procurement	<p>Conveyancing legal support will be required to purchase the properties.</p> <p>Procurement of property management services would be required.</p>
Crime and Disorder	The management of TA is particularly important to tackle any anti-social behaviour.
Environment and Climate/Ecological Emergency	No environment and sustainability implications have been identified at this stage.
Health and Wellbeing	Having more control over units of TA will improve the standards of the properties and therefore are more likely to enhance health and wellbeing.
Safeguarding of Children, Young People and Vulnerable Adults	No implications identified at this stage. The service regular safeguards clients throughout the case management process.
Risk Management and Health and Safety	<p>TA costs are currently a corporate risk to the organisation and this project enables us to tackle this issue.</p> <p>Should the project go ahead a detailed risk register will be created.</p> <p>Health and Safety and statutory testing costs have been included within the model to ensure that all properties would meet the necessary requirements.</p>
Equality and Diversity	No specific implications on groups with protected characteristics have been identified.
Privacy and Data Protection	No specific privacy or data protection issues have been identified at this stage.

7 Appendices

None

8 Background Papers

None