

<b>Subject:</b>	<b>Purchase Options for short term Temporary Accommodation</b>		
<b>Date of Meeting:</b>	<b>19<sup>th</sup> June 2019</b>		
<b>Report of:</b>	<b>Executive Director for Neighbourhoods, Communities &amp; Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Sylvia Peckham</b>	<b>Tel: 01273 293318</b>
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<b>Ward(s) affected:</b>	<b>(All Wards);</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Improving housing supply in the City, in particular the supply of affordable homes for rent is a key element of our citywide Housing Strategy. In particular, we are committed to provide more council owned Temporary Accommodation (TA). In line with this, Budget Council in February 2019 agreed a budget of £2.1m to purchase short-term Temporary Accommodation to be managed in-house subject to detailed report of the full revenue and capital financial implications to demonstrate its viability and value for money. This is to be funded by prudential borrowing in the General Fund. Separately to this the Housing Revenue Account (HRA) Capital Programme for 2019/20 includes £3.5m capital budget funded by borrowing (70%), and Right to buy Receipts (30%), again subject to a detailed viability report.
- 1.2 This report sets out options and considerations to achieve the delivery of short-term temporary accommodation by the council. We are already providing council owned temporary accommodation as part of our overall Housing, HRA Asset Management and Budget strategies, contributing to existing supply and are committed to expanding this. To date this has been through: buying back properties previously sold under the Right to Buy; refurbishing and converting office accommodation; purchasing other accommodation; and, refurbishing existing accommodation. We are currently reviewing purchase options for short term TA with future business cases to be considered by our cross-party Estate Regeneration Board (Housing Supply Board) and Housing & New Homes and Policy Resources & Growth Committees for approval.

**2. RECOMMENDATIONS:**

- 2.1 That the Housing and New Homes Committee notes the contents of the report and that business cases will be developed to assess available properties as being potentially suitable for Short term Temporary Accommodation for consideration at future Committee.

### 3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Improving housing supply in the City, in particular the supply of affordable homes for rent is a key element of our citywide Housing Strategy. This includes increasing the supply of council owned temporary accommodation as a proportion of overall TA, which as outlined below, we are seeking to reduce. In addition, Neighbourhoods, Communities & Housing (NCH) Budget Strategy has included savings against costs of procuring more expensive accommodation from the private market either (through existing dynamic purchasing frameworks or spot purchase) to be achieved through the development of new council owned Temporary Accommodation (TA). This has been taken forward through commissioning a council housing stock review to deliver conversions of existing under-used or unused buildings or spaces into TA. In addition, Housing & New Homes Committee has also agreed the purchase and refurbishment of two properties at Tilbury Place in Queens Park ward, Brighton to provide 15 homes for future use by the council as temporary accommodation and delivery of additional council owned TA as part of our Home Purchase Policy.
- 3.2 Over the years, spend on temporary accommodation that we use in the short term i.e. where we can place people in an emergency, which is furnished ready for quick access and has management on-site, has increased from a net cost of £1.2m in 2015/16 to a net cost of £2.8m in 2018/19 due to the increased demand for temporary accommodation. The intention was that people remain for a short term e.g. average 6 – 12 months as opposed to longer-term temporary accommodation, which is unfurnished apart from white goods, and is more akin to what you would expect in the private rented sector, and has been more suitable for people to remain for several years. However, the length of time people have remained in accommodation intended for short term use has increased and while average stay is around 5 months, there are some residents who have been in situ much longer due to shortage of other alternatives.
- 3.3 Four years ago, we undertook a large procurement activity in the market to acquire short-term temporary accommodation that would be managed on our behalf, at the best rates and specified the standards that were to be achieved. This increased costs albeit they were fixed for the duration of the contracts. The standards that were specified at the time were to achieve good quality accommodation reflecting the short-term use. This was because under the Homeless legislation accommodation has to be suitable for a household's needs, which reflects the short-term nature of the accommodation. In addition, it was unlikely that the private sector would have been able to deliver accommodation to Decent Homes standard in the timeframe we were procuring in, or within the overall agreed budget. The Procurement Framework has now ended and the contracts that were called off are due to end over the next 18 months.
- 3.4 The number of households in temporary accommodation has remained stable and not increased over the last year due to our prevention focus following the Prevention Trailblazer project. Our strategy is to build on this and reduce our use of temporary accommodation through:
- early intervention and prevention;
  - increased use of private rented accommodation and
  - Moving people on through the Housing Allocation policy.

3.5 We are also providing more Council owned temporary accommodation as follows, although it remains a small proportion of the overall stock of Temporary Accommodation at this time:

- buying back properties previously sold under the Right to buy;( 10 homes for TA out of a total of 20 homes bought);
- refurbishing and converting Oxford Street accommodation subject to planning consent (10 homes for TA);
- purchasing other accommodation e.g. Tilbury Place, (15 homes for TA), and;
- Refurbishing an old sheltered scheme back into family houses i.e. Stonehurst Court (10 homes in use as TA).

3.6 The majority of our temporary accommodation is individual flats and houses leased from owners and managed by the council. This accounts for approximately 900 units and in addition, we have 499 units of Brighton & Hove Seaside Community Homes. For short-term temporary accommodation we have approximately 420 units which are managed on our behalf by the providers. Appendix 1 sets out the modelled number of units in April 2019 and models the planned reduction over the years.

3.7 We will be changing the model to have less short term/emergency accommodation and more long-term accommodation. This is because people are staying for longer in short term accommodation and so we actually need more long term, which is better set up for a longer-term stay, and it reduces the risk of relying on the few providers who are in the market which restrains our ability to negotiate terms. In addition, we can more easily convert longer term leased accommodation back into private rented accommodation if or when we reduce the need for temporary accommodation, which will enable Housing to manage within budget resources.

3.8 Council purchases of short-term temporary accommodation would make the council less reliant on the need to procure from the private sector. In the short term, it is unlikely that it would be possible for us to purchase sufficient short term temporary accommodation to mean we could end the need to procure TA from the private sector.

3.9 **SWOT ( Strengths, Weaknesses, Opportunities and Threats) Analysis**  
Strengths.

- More control to set and achieve property and management standards.
- Achieve and maintain consistent quality of accommodation.
- Social Value – sense of security and improved wellbeing through being managed by the council.
- Negate the risk of private sector providers withdrawing from providing accommodation.

Weaknesses

- More expensive due to terms & conditions for council staff.
- Inexperience of managing short-term temporary accommodation leading to higher costs and /or anti-social behaviour.

### Opportunities:

- Flexibility to change provision to reflect changing priorities.
- Council gaining and retaining the asset.

### Threats:

- Council taking on the financial risks of managing property turnaround times, maintenance costs and the collection of service charge income. If costs are not managed within current resources, this will create a budget pressure.
- Reputational damage should there be any property management issues such as anti-social behaviour or repairs not being completed in a timely manner.

## **Purchasing short term accommodation**

- 3.10 We are currently working with colleagues across the council to identify and explore options to purchase accommodation so we are less reliant on private sector providers. This is being undertaken in conjunction with Property & Design and Finance colleagues to identify potential properties that might be suitable, including exploring properties for sale via auction as that is often a route where blocks of flats are disposed of. We are looking at opportunities and will develop a business case for each potential purchase and bring it to cross party Estate Regeneration Board Housing and New Homes Committee for approval. In some cases, there may be a benefit in considering or need for the use of Urgency Powers to be able to respond to opportunities arising in the market, particularly if they arise at auction. If, due to urgent timing, committee approval could not be sought in advance, the Executive Director Neighbourhoods, Communities & Housing in consultation with Executive Director for Finance & Resources, may use their Chief Officer Urgency Powers in order to meet a deadline. Consultation must take place with the Chairs of Housing & New Homes Committee (NHN) and Policy Resources & Growth Committee (PRG). Any decisions taken under Urgency Powers are reported to Housing & New Homes Committee and Policy, Resources & Growth Committee in accordance with the procedure outlined in the Scheme of Delegations..
- 3.11 The agreed capital budget will likely enable the purchase of a small block, if viable, including on costs. However, as stated in paragraph 1.2, we already have a programme of providing council owned temporary accommodation and so this will enable expansion and upscaling.
- 3.12 Current gross costs of short-term accommodation with external providers is on average £282 per property per week, with average income of £157 giving a net cost to the General Fund of £125 per property per week. This includes a small amount of management time at the council and the management and maintenance by the provider. The amount payable to the provider has been fixed since the start of the lease in April 2015. Upon re-procurement it is expected that costs would increase to reflect inflationary uplifts since 2015 and in addition as the needs of clients have become more complex there are likely to be additional management and maintenance costs.
- 3.13 If the council purchases short term accommodation, the viability of the scheme will depend on whether the new on-going revenue costs in the General Fund are

less than or equal to the current revenue costs for this type of property, allowing for the fact that this will be subject to a price increase by suppliers on re-procurement. The scheme will also need to be cost neutral to the HRA. Appendix 2 estimates the potential management and maintenance costs of owning and operating short term TA and estimates the funding available for the borrowing costs given estimates for income levels.

- 3.14 Any future viability model would also need to assess that the accommodation could work as general needs accommodation to offer a flexible use in the future in case we cease to have a need for temporary accommodation or if the revenue no longer supports use as temporary accommodation.
- 3.15 A business case for each potential building will go to the cross Party Estate Regeneration Board, then to either:
- i) Housing & New Homes Committee and Policy Resources & Growth Committee for approval, or;
  - ii) Use our Urgency Powers where the Executive Director for Neighbourhoods, Communities and Housing will consult with the Chair of Housing & New Homes Committee and the Executive Director for Finance and Resources will consult with the Chair of Policy Resources & Growth Committee. Any decisions taken under Urgency Powers are reported to Housing & New Homes Committee and Policy Resources & Growth Committee in accordance with the procedure outlined in the Scheme of Delegations;. or;
  - iii) A very urgent PR&G Sub-Committee could be called which would provide more public scrutiny but needs to be able to respond quickly so that we do not lose opportunities that might come up at auction.

#### Capital costs

- 3.16 In addition to the purchase of the building the capital budget will cover the valuation and survey, Stamp Duty if applicable, the cost of repairs and/or refurbishment to achieve and maintain consistently good quality of accommodations, and any works to ensure fire, health and safety standards are met. This will also take into account the option of lift installation to meet the needs of households with mobility issues in addition to families with young children.

#### Revenue Costs.

- 3.17 Considerations need to reflect the needs of the client group and nature of the accommodation as follows:
- **Staffing.** Rather than procure B&B style accommodation, self-contained flats would be preferable that would not require 24/7 on site staffing but staff available during office hours to book people in and out and manage the accommodation. However, it would be prudent to provide security to undertake regular checks on properties out of hours and to be called in an emergency. In addition, the current housing support service would be able to support residents and help them settle into accommodation.

- **Repair and maintenance.** Short-term accommodation is subject to more wear and tear than longer-term accommodation. Additionally there is evidence of regular significant damage and so an adequate repair budget is required. Appendix 2 assumes the same level of repairs as for leased TA plus 20%.
- **Furniture.** In order for properties to be used quickly, they would likely need to be furnished. This would be basic furniture, white goods, floorcovering, and basic kitchen amenities e.g. kettle, pans, crockery and cutlery, bedding and towels. This would need replacing regularly as goods are damaged, wear out, or go missing. Electric goods supplied by the council would all need to be PAT (Portable Appliance Test) tested on an annual basis. In addition, consideration for the provision of a furniture storage facility and arrangement for regular removals to accommodation would be required so that it could be replaced quickly.
- **TV licences and/or Wi-Fi** - if required this would be an additional cost. The council could charge a service charge for this.
- **Voids (empty properties).** Current providers are required to turn properties around within 2 working days and if this is not achieved the council do not pay for the accommodation until it is ready. Should the Council be unable to achieve these turnaround times, this would affect income collection and impact on the cost and time spent in spot purchase accommodation\_while waiting for a unit to be ready for occupation. Appendix 2 assumes income will remain at current levels with a further 6 week void period in a year.
- **Lift/ mobility access.** Many single people who are vulnerable have mobility issues that render stairs difficult and hence a property that has either a lift or is easily accessible is more attractive. In addition, households who have young children often experience issues if the property is accessed via many stairs e.g. if they have to manage a buggy and shopping. Any lift will need to be fully maintained and serviced. Appendix 2 does not include the cost of a lift.
- **Utilities and Council Tax**– In order for properties to be available\_at short notice, we will need to provide utilities and then raise a service charge to recover costs. If households were required to arrange their own utilities this would delay them being able to move in. The tenants will be responsible for their own council tax but the council will incur council tax while the property is vacant.
- **Service contracts** - Annual gas servicing and safety testing and 5 yearly electric safety testing will need to be undertaken. These can be aligned with management of other council housing stock. Properties will require a wired-in fire alarm that will need regular testing. If a block had communally provided hot water this will require undertaking legionella testing. Electrical items used in the properties would require annual PAT testing. It is likely that the council could use current council contractors for these services such as those used for HRA properties and/or council office buildings.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 The council could continue to procure all short-term Temporary Accommodation from the private sector. However, this does expose us to risks, as there are only a few providers in the market able to deliver the accommodation of the scale required and provide responsive management. We are likely to still procure some short-term temporary accommodation from the private sector initially as we build up a stock of council owned short term accommodation.

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 None

#### **6. CONCLUSION**

- 6.1 Purchasing accommodation so it is council owned and controlled will enable us to better plan and ensure the standards we aspire to for our homeless households can be met and maintained. It will enable flexibility if the council wished to reconfigure accommodation or the way it is provided. However, as outlined in this report, there may be extra revenue costs associated with the running and management of short-term temporary accommodation. This will depend on the cost of purchasing and refurbishing the property, the levels of borrowing required and the associated capital financing costs.

#### **7. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 7.1 Budget Council in February 2019 agreed a budget of £2.1m to purchase short-term temporary accommodation managed in-house subject to detailed report of the full revenue and capital financial implications to demonstrate its viability and value for money. This is to be funded by prudential borrowing in the General Fund. Separately to this, the Housing Revenue Account (HRA) Capital Programme for 2019/20 includes £3.5m capital budget funded by borrowing (70%), and Right to buy Receipts (30%), again subject to a detailed viability report.
- 7.2 Paragraph 4.4 explains that the viability of the scheme will depend on whether the new on-going net revenue costs in the general fund are less than or equal to the current revenue costs for this type of property, allowing for the fact that this will be subject to a price increase by suppliers on re-procurement. It also needs to be cost neutral to the Housing Revenue Account (HRA). The main costs that may affect viability are the cost of purchase and refurbishment of a property and the management and maintenance of the property e.g. the level of staffing required, voids related costs, repairs and maintenance as well as basic furniture and equipment costs.
- 7.3 If the property is purchased and refurbished by the HRA, this will be funded 30% by RTB receipts with the balance funded through borrowing. To ensure this is cost neutral to the HRA, borrowing costs will need to be paid for by the General Fund from the current budget for this type of accommodation held within the Temporary Accommodation and Allocations budget. The net unit cost to the

General Fund for this type of short-term accommodation is currently £125 per unit per week or £6,500 per year. So, for example, if the council were to purchase a 24-unit property, it would need to cost £0.156m or less per year after rent income is taken into account, in order to be cost neutral to the General Fund.

- 7.4 Appendix 2 gives an estimate of the management and maintenance costs associated with operating this type of accommodation and shows that this is currently estimated as £7,400 per unit of accommodation. This cost could however change significantly as the current assumptions makes modest estimates on levels of staffing, maintenance and voids (empty properties). The actual staffing ratio will be driven by the needs of the clients housed, the number of units of accommodation purchased, how much work can be absorbed by current staff as well as where the properties are in the city. Managing property turn around to reduce the time a property is empty will be key to keeping costs to a minimum. If a property is empty the council receives less rental income, it is also liable to pay council tax at £24 per week per week for a band A property as well as the costs of potentially housing a homeless person in spot purchase accommodation while waiting for the property to be ready. This could cost an estimated £430 per week. Therefore, there is a need for good, steam-lined property turn-around processes and a price and service level agreement with the in-house repairs team including a turnaround time of a few days.
- 7.5 Rental Income collected for this type of property is currently on average £157 per property per week or £8,164 per year and the assumption is that this would reduce to £7,200 per year, allowing for a further 6-week void period. This assumes an average stay of 5-6 months, so assumes each property will have 2 void periods of 3 weeks on average.
- 7.6 Given these assumptions, Appendix 2 estimates that in order for costs to remain as now for the general fund, there would be £6,300 per property per year to contribute towards borrowing costs and administrative procedures. This would fund borrowing of approximately £0.146m per unit at current interest rates. Adding RTB receipts, this would allow for a total cost per unit of £0.210m for the provision of a building for short-term temporary accommodation.
- 7.7 Without an actual building or group of properties to cost in detail, it is very difficult to say at this stage whether a scheme would be viable (i.e. costs would be the same or less than currently). However, the illustration at Appendix 2 indicates that there is a possibility of funding a viable scheme. However, by owning and operating such accommodation the council would be taking on the financial risks of managing property turnaround times, maintenance costs and the collection of service charge income. All of these risks currently sit with the providers and therefore, if not managed within current resources, could create a budget pressure. Officers will continue to work to identify robust estimates for the council purchasing and operating short-term temporary accommodation with a view to bringing a further report back to committee once a property is identified with more detailed costings and full financial implications.
- 7.8 If a project is agreed by committee at a later date, consideration to handing back other units of temporary accommodation or reducing the use of spot purchase would be necessary to avoid additional costs to the general fund.



*Finance Officer Consulted: Monica Brooks*      *Date: 7/06/19*

Legal Implications:

- 7.9 Under section 17 of the Housing Act 1985, for the purpose of providing housing accommodation, local housing authorities such as the council, are authorised to acquire houses or buildings which may be made suitable as houses. The proposals outlined in the report are therefore within the council's powers.

Under the council's constitution, any proposal for the acquisition of land must be referred to Policy, Resources and Growth Committee for determination, unless the acquisition falls within officers' delegated powers. However, the constitution also sets out Urgency Powers for use in cases of urgency, where it is not reasonably practicable to obtain prior Committee or Sub-Committee approval. The exercise of these powers requires consultation with the Chair of the relevant committee and a report back to Committee.

*Lawyer Consulted: Liz Woodley*

*Date: 23/05/19*

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Modelled number of Temporary Accommodation (TA) units 19/20
2. Estimated Costs of Short Term Temporary Accommodation - Illustration

**Background Documents**

1. None

**APPENDIX 1 – Modelled number of Temporary Accommodation (TA) units 19/20**

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
<b>Total Units of Leased</b>	900	899	886	884	884	881	881	880	879	878	878	872
<b>Total Units of Short Term TA</b>	420	420	415	415	415	410	410	410	407	405	405	405
<b>- Total Units of Spot Purchase</b>	45	41	37	33	33	30	25	21	18	18	18	18
<b>B&amp;H Seaside community Homes</b>	499	499	499	499	499	499	499	499	499	499	499	499
<b>- Total Units</b>	1,864	1,859	1,837	1,831	1,831	1,820	1,815	1,810	1,803	1,800	1,800	1,794

## Appendix 2 – Estimated Costs of Short Term Temporary Accommodation - Illustration

Assume block of 24 Units

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Note	Cost Type	Block Cost	Cost per unit per year £ rounded
1	Staffing	£75,300	£3,100
2	Revenue Maintenance	£29,800	£1,200
3	Capital Maintenance	£45,710	£1,900
4	Council Tax for periods of empty property	£3,500	£100
5	Furniture, white goods bedding etc	£13,300	£600
6	Service charge shortfall (including heating and light)	£12,500	£500
	<b>Management and Maintenance Costs</b>	<b>£177,600</b>	<b>£7,400</b>
7	Income - assume same as now at average £157 per unit for 46 weeks	<b>-£173,300</b>	<b>-£7,200</b>
8	Allowance for financing costs - balancing figure	£151,700	£6,300
	<b>Net Revenue Costs of council operating short term TA</b>	<b>£156,000</b>	<b>£6,500</b>
9	<b>Current costs of 24 units of short term TA (net)</b>	<b>£156,000</b>	<b>£6,500</b>

Note 1 Assume 2 x lettings officers + average 5 hours shared security at night

Note 2 Assume current average for leased properties + 20% to reflect extra turnover

Note 3 Assume current average in HRA for capital expenditure

Note 4 Assume 6 weeks empty per year per property

Note 5 Assume cutlery, bedding and crockery new every 6 months. Assume beds, floor, fridge, cooker last 3 years,

Assume 20% of households will bring their own bedding and household equipment.

Note 6 Add £9 per week for other service contracts such as TV aerials, fire alarm and maintenance, PAT testing, communal clean etc

£157 is average income per week received in 18/19 from short term accommodation less 6 weeks

Note 7 void

Difference between current net costs and new net costs which can be used for capital financing

Note 8 costs

Note 9 This is the average unit net cost of £125 per week for 24 units, 52 weeks.

