

## **Report to Cabinet**

**Subject:** Temporary Accommodation

**Date:** 11 February 2021

**Authors:** Head of Regeneration and Welfare

**Wards Affected:** All wards

### **Purpose:**

To introduce Cabinet to the Temporary Accommodation Options Appraisal findings and the proposed future approach to reduce B&B and nightly paid for accommodation usage.

In addition, this report also updates Members on the progress made with a range of external funding opportunities (including the Next Steps Accommodation Programme (NSAP) funding and 2020 Cold Weather Fund).

### **Key Decision**

This is not a key decision.

### **Recommendation(s)**

#### **THAT Cabinet:**

- 1) Notes the Temporary Accommodation Options Appraisal (Appendix A to this report), which sets out the preferred approach for the Council to reduce its use of B&B and nightly paid accommodation usage for temporary accommodation purposes.**
- 2) Note that a request for approval of a Capital Budget of £1,154,000 has been included in the Capital Budget Report being presented to Cabinet on 11 February 2021 for referral to Council for approval on 4 March 2021 to allow for the purchasing 8 properties for use as temporary accommodation.**
- 3) Note that a request for approval of a Capital Budget of £2,647,000 has been included in the Capital Budget Report being presented to Cabinet on 11 February 2021 for referral to Council for approval on 4 March 2021 for the development of Station Road and Burton Road sites.**
- 4) Notes the achievements delivered by funding secured from the Next**

## Steps Accommodation Programme (NSAP) and the recent award from the Cold Weather Fund 2020.

### 1 Background

#### Context

- 1.1 Nationally and locally there has been an increase in demand in temporary accommodation (TA) over the past few years. This is due to a number of factors including the increased duties of local housing authorities to prevent homelessness following the implementation of the Homelessness Reduction Act 2017, a lack of affordable housing and welfare reforms.
- 1.2 During 2019/20 the number of households accepted as homeless and placed in temporary accommodation was 141, an increase of 37 households compared to 2018/19. Between the 1<sup>st</sup> April and 31<sup>st</sup> December 2020, we have already placed 124 households in temporary accommodation. It is therefore projected that the total number of households requiring temporary accommodation in 2020/21 will again increase from the previous year figure of 141.
- 1.3 Cabinet will recall a detailed report was considered at the Cabinet meeting in October 2020, outlining the work programme of the “Temporary Accommodation Officer Working group”. This group comprises officers from the Strategic Housing and Housing Needs teams with support from finance and legal services. The group have been reviewing the Council’s provision of temporary accommodation and other matters linked to temporary accommodation. The two main streams of work includes:
- **Reducing time spent in temporary accommodation** - these are measures to improve the supply of, and access to, permanent accommodation and the prevention of homelessness thus reducing the need for temporary accommodation; and
  - **Improving the provision of suitable temporary accommodation** - these are measures to improve the quality and the cost effectiveness of temporary accommodation.
- 1.4 As detailed in the previous report, there are a number of initiatives the working group are undertaking. This includes preparing an options appraisal (included at Appendix A) to consider:
- 1) current demand including reviewing the numbers of households, makeup of households, the types of TA being used and the length of time households are in TA;
  - 2) understanding the impact of the increased demand on TA and use of bed and breakfast (B&B) and other nightly paid accommodation as TA because of lack of available Council properties, including the cost

- implications for the Council;
- 3) how to reduce the reliance of B&B/nightly paid accommodation as TA; and
- 4) to identify the preferred option to tackle the known demand for TA and to reduce B&B and nightly paid accommodation.

### Temporary Accommodation Options Appraisal

#### **Current situation**

- 1.6 The options appraisal (see Appendix A) reviewed the demand on the Council for temporary accommodation in detail since April 2019 and how this was broken down into the different types of accommodation (a summary table is shown below) and the size of the households placed in temporary accommodation.

<b>Type of temporary accommodation</b>	<b>Average</b>
Council owned properties	7
Council leased properties	6
Hound Lodge (hostel)	4
B&B	12
Housing Network (nightly)	3
Serviced Apartment (nightly)	1
Night shelter (SWEP) <sup>1</sup>	0
<b>Total</b>	<b>33</b>

- 1.7 The Council currently utilises a range of properties to meet its statutory duty to provide eligible homeless households with TA. This includes properties which the Council either owns or leases, Hound Lodge hostel, B&B or other nightly paid for accommodation, such as serviced apartments or properties provided by The Housing Network (a provider of self-contained accommodation) and the use of a night shelter. After a review of the types of temporary accommodation, it was found that:

- **Council leased/owned properties** – provide suitable accommodation with all the main facilities and is reasonable in cost to the Council;
- **Hound Lodge** – this hostel is outside of the Borough but provides free accommodation (to the user and no ongoing cost to the Council) at short notice for individuals with the basic facilities;
- **B&B accommodation** – provides accommodation at short notice for

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<sup>1</sup> Winter months only

individuals with the basic facilities, such accommodation is expensive to the Council;

- **Nightly paid for accommodation currently via The Housing Network** – provide suitable accommodation with all the main facilities but is relatively expensive for the Council;
- **Serviced Apartments** – provide suitable accommodation with all the main facilities but can be expensive for the Council; and
- **Night shelter** - provides accommodation (which the Council have received funding for) at short notice for individuals with the basic facilities during the winter months.

1.8 The appraisal also looked at the number of households accommodated in TA by the Council, the length of time those households spent in TA and the cost implications for the Council of using these types of accommodation, which is steadily increasing. A summary of this information is included in the table below.

Financial year	Number of TA cases	Number of days in TA	Net Expenditure		Total Amount spent on nightly accommodation
			Bed & Breakfast £	Other Nightly Accommodation £	
2013/14	34	1560	12,400	0	12,400
2014/15	41	1683	25,300	0	25,300
2015/16	55	2142	30,900	0	30,900
2016/17	50	2478	24,000	0	24,000
2017/18	64	3668	60,500	0	60,500
2018/19	98	2585	74,100	0	74,100
2019/20	123	6770	185,000	35,100	220,100
2020/21 forecast			250,700	27,900	278,600

1.9 The options appraisal also reviews the future supply of affordable housing and how this may impact on the future requirement for temporary accommodation. From this work, it is clear that there is a growing issue with the increased usage of B&B and nightly paid for accommodation which has significant financial implications for the Council. Furthermore, the length of stay is significantly higher than the target for the performance indicator and causes further social and mental wellbeing issues.

### Appraisal process

1.10 Officers considered a number of options that are available to the Council to meet the demand for TA. A number of these options were discounted as part of the

process (see section 3 of the options appraisal for detail). This left three delivery options that were considered in detail:

- **Delivery option 1: Purchase of properties on the open market/auction** - taking ownership of a property on sale on the open market or at auction;
- **Delivery option 2: Build our own units** – use of Council owned land to build properties for use as temporary accommodation; and
- **Delivery option 3: Lease of properties from private owners/landlords** – this means agreeing to terms and taking responsibility for the property (including the ongoing maintenance) for a specified period of time.

- 1.11 The options appraisal considers the positive and negative aspects of each of these options, as well as a detailed financial appraisal/breakdown. The findings of these are detailed within the appraisal and in section 2.

#### External funding

#### **Next Steps Accommodation Programme funding**

- 1.12 The Council submitted a joint funding application with Broxtowe and Rushcliffe to NSAP which was reported to Cabinet October 2020. As a result of the application the Council was successfully awarded an initial £42,500. This funding is targeted at rough sleepers and people who are at risk of being homeless over the winter period, and links back to the Government's ambition to provide 3,300 units of long term move on accommodation, targeted at rough sleepers by March 2021. This funding was to be split as follows:
- £20,000 for block booking of B&B accommodation across all three authorities; and
  - £22,500 The Private Sector Initiative Funding to provide an enhanced offer to the private sector (£7,500 per authority).
- 1.13 The Council block booked 4 rooms with a B&B accommodation provider from the beginning of December. That provisions has now been increased to 5 rooms and the rooms available for use by the Council, along with the other participating authorities, to accommodate homeless individuals and households until the end of March 2021. The Private Sector Initiative Funding has been shared equally between the three boroughs (Gedling, Broxtowe and Rushcliffe). Each Borough is receiving £7,500 to be used for a variety of initiatives, including an insurance scheme which covers landlords for both rent arrears and damage to the property.
- 1.14 Additionally, in partnership with Framework Housing Association, a further £226,800 of NSAP funding was awarded to enable Framework Housing Association to purchase 6 units to provide supported accommodation, shared equally across the three boroughs. All six units have now been identified and are

under offer, with the expectation that there will be available for use by 1<sup>st</sup> April (and will have support provided by Framework).

- 1.15 The initial bid also included other initiatives, but these were not funded. One of the options was for the conversion of a former craft room and office at Elizabeth House to provide three further rooms (this is another option being considered for future use as temporary accommodation). The capital costs of conversion total £24k, and the three authorities have decided to fund the works as it represents excellent value for money.

### **Cold Weather Fund 2020**

- 1.16 An application for a pre-determined allocation of £6,400 was submitted on the 4<sup>th</sup> December 2020, and confirmation has been received that the bid was successful, and the full amount will be allocated to Gedling. This allocation is based on the number of rough sleepers reported within the borough. This funding will be used towards the cost of both B&B and also the capital costs of conversion of three rooms at Elizabeth House.

## **2 Proposal**

### Options Appraisal - Recommended approach

#### **Summary of findings**

- 2.1 This options appraisal has reviewed a variety of initiatives and options the Council could utilise when meeting its statutory duty to accommodate homeless individuals and households and identified three potential delivery options. These three options were considered in detail, including the financial implications, exit strategy and availability of properties. A summary of the options appraisal findings are shown below:
- 2.2 **Purchase property on the open market** - there is an identified supply of suitable properties, in the right location and has been demonstrated to be the best option. A range of 2 and 3 bedroomed properties, predominantly in the urban areas of Arnold, Carlton and Gedling, are being considered in view of both the range of facilities and availability within these locations. It is also the preference and/or expectation of the majority of people who approach the Council for assistance that they will be placed in one of these areas. These locations would also enable the majority of applicants to benefit from any ongoing support they receive from family and friends which is important to people experiencing homelessness. The findings from the appraisals suggests that this is a strong option for consideration, as any costs will be recouped

through rental income and/or eventual re-sale. This will then increase the Council's asset base, and would be considered a long term option. If demand for temporary accommodation dropped significantly, then the asset could be disposed of and a capital receipt realised. In order to progress this delivery method, a capital budget would need to be approved (subject to a separate Cabinet paper on this agenda). If budget approval is obtained and a suitable property identified, approval for the acquisition will be sought from the Portfolio Holder for Resources and Reputation in accordance with Executive delegations.

- 2.3 **Build our own properties** – there are two sites in the Council ownership which have been identified as having potential to be suitable for residential development, which could provide both affordable housing and temporary accommodation (Station Road and Burton Road). Officers have been working to identify the development potential of the two sites and the initial outline schemes show that a total of 17 units could be provided across both sites (10 on Station Road site and 7 on Burton Road site). Detailed plans are being drawn up to inform a detailed business case and ensure swift delivery (once the necessary approvals have been sought and obtained). This is an option which would be considered a longer term method of securing more temporary accommodation units (as well as delivering some Council owned affordable units). The findings from the options appraisal suggests that this could be a good option to deliver affordable houses in two highly sustainable locations, allowing a proportion of these units to be used for temporary accommodation for an indefinite period. In order to progress this delivery method, a capital budget would need to be approved (subject to a separate Cabinet paper on this agenda) and the detailed business case and development scheme would be subject to a further approval.

- 2.4 **Leasing properties on the open market** - the financial modelling shows that this is a viable option for the Council. The range of properties and flexibility on their location means that Officers can choose properties that are most suitable to customer's needs of for temporary accommodation as evidenced in the options appraisal. Furthermore, this option could provide properties to cover the interim period whilst plans are being progressed with the build delivery option (if approved). In order to progress with leasing a property, portfolio holder approval would be sought to enter into a lease per property on specified terms.

### **Conclusion**

- 2.5 From the review of the three potential delivery options, and in view of the pressing need to increase the Council's supply of temporary accommodation quickly, the options appraisal suggests that the following approach is taken:

- **Purchase delivery option:** buying units has been demonstrated to be the most preferable option and therefore it is proposed that the Council considers purchasing 8 units (mix of 2/3 bedroomed), at an average cost of £140,000 per property. This approach is subject to budget approval and Portfolio Holder approval would be required to approve each property purchase;
- **Build delivery option:** subject to a successful detailed business case, budget approval and approval of the overall scheme, delivery of 7 two bedroomed units for temporary accommodation as part of the residential development of Council owned land at Station Road and Burton Road could be achieved in the future; and
- **Lease delivery option:** to provide properties in the near future, whilst the proposed development of the sites at Station Road and Burton Road are progressed, 7 properties (mix of 2/3 bedroomed) could be leased on 2 year terms commencing from March 2021 (on average at £650/month). This would be dependent on Portfolio Holder approval being obtained to enter into a lease.

2.6 Cabinet are asked to note the Options Appraisal attached at Appendix A, including the identified preferred delivery options to increase the Council's provision of properties available for use of affordable housing and thus reduce its use of B&B and nightly paid for accommodation. Officers will then need to secure further approvals (as detailed in the report) in order to progress as properties are identified on the open market to purchase or lease and the proposal to develop Station Road and Burton Road are advanced in order to address the growing demand for temporary accommodation.

2.7 Cabinet are also asked to note the request for approval of a Capital Budget for the build and purchase delivery options have been included in the Capital Budget Report being presented to Cabinet on 11 February 2021 for referral to Council for approval on 4 March 2021. This includes £1,154,000 to allow for the purchasing 8 properties for use as temporary accommodation and £2,647,000 for the development of Station Road and Burton Road sites.

#### External Funding

2.7 Members are asked to note the officers work to secure external funding from NSAP and the Cold Winter Fund and the outcomes of this funding as set out in this report.



### 3 Alternative Options

3.1 There are a variety of options available to intervene and to secure more access to temporary accommodation. These options have been considered in the Options Appraisal. Here is a summary of the options discounted at this point:

- **Serviced apartments** – although these provide the majority of the facilities required, in normal market conditions, these are too costly to and so have been discounted as an alternative to B&B style accommodation. Such premises may be used by the Council on an ad-hoc basis where no other accommodation is available or because the circumstances deem this to be the most suitable type of accommodation i.e. as with the covid-19 pandemic;
- **Formalise the relationship with the Housing Provider** - this has been used as a short term measure and could be considered as a way of alleviating some more of the pressure on B&B usage going forward. Dependent on the offer from the provider, the Council may need to run a procurement exercise before entering into a formal contract for the provision of properties for temporary accommodation;
- **Taking an equity stake in temporary accommodation dwellings** - potential to purchase an equity stake from a housing provider in temporary accommodation. This will enable more stock in the private sector to be purchased by housing providers to be used as temporary accommodation. However, this option is currently not available, due to the lack of appetite from housing providers. This may an option in the long term and will be considered if appropriate;
- **Lease further properties from social landlords** – this would mean taking over responsibility for a property from a social landlord for a specified period of time. The Council currently utilises this approach at Jacobs Court and Brook Avenue (Derwent Housing) and Church Lane and Redland Grove (Jigsaw Homes). However, due to a significant lack of affordable properties available in the borough, this option has been discounted at this stage as it is not felt appropriate as this would reduce the number of affordable houses available in the borough; and
- **Use a third party to lease properties** - this means agreeing to terms for a period of time, but dependent on the offer, could include management and maintenance of the properties, thereby reducing the risk to the Council. However, there is a variety of options available from various sources and many often require signing up for long periods of time (5-10 years leases) with unclear terms and conditions. For this reason, this option is currently discounted.

3.2 Do nothing, and allow the anticipated increase in expenditure to continue as the Council's use of B&B and nightly paid accommodation for temporary accommodation would continue.

## 4 Financial Implications

### Temporary Accommodation Options Appraisal

- 4.1 The Options Appraisal attached in Appendix A sets out a recommended approach for the Council to deal with its responsibilities in regards to the provision of TA, and demonstrates that there is ongoing demand for an additional 15 units needed for TA within the Borough.
- 4.2 In order to ascertain the most cost effective method of delivery of these 15 units, financial modelling has been undertaken to compare the net cost to the Council of purchasing or leasing. The table below demonstrates that the purchase option has a significantly lower net cost to the Council compared to the lease option.

Options	Purchase	Lease
	£	£
1 Year (Net cost)	36,000	70,000
5 Year (Net cost)	173,000	356,000
25 Year (Net cost)	712,000	1,994,000

- 4.3 The Council is currently utilising the higher-priced provision of B&B to accommodate cases. This provision is largely unbudgeted for and is placing significant pressures on the Council's Housing Needs base budget.
- 4.4 It is clear from this financial modelling, both the purchase and lease options would significantly reduce the Council's cost when compared to using Bed & Breakfast accommodation. However, greater savings would be generated through the purchase option.
- 4.5 As stated in the Options Appraisal, there is currently a business case being prepared up for the delivery option to build owned units on Station Road and Burton Road. The proposal suggests the scheme could realise seven owned units in around two years' time for use as TA. Whilst this scheme has not yet been approved it would not be appropriate at this time to consider purchasing all 15 units. Therefore, we could assume the most financially beneficial mix would be as follows:
- 7 units leased on a 2 year lease term commencing from March 2021;
  - 8 Units purchased in 2021/22, at an average cost of £140,000 per unit plus Stamp Duty Land Tax at 3% a total capital outlay of £1,154,000.

- 4.6 The table below sets out the five year revenue budget impact of this proposal in respect of temporary accommodation requirements:

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	£	£	£	£	£	£
Lease (7 units)	32,500	32,800	33,200	33,600	33,900	166,000
Purchase (8 units)	19,200	20,900	20,600	20,300	20,000	101,000
Other Nightly TA	126,500	35,000	35,000	35,000	35,000	266,500
<b>Total Cost</b>	<b>178,200</b>	<b>88,700</b>	<b>88,800</b>	<b>88,900</b>	<b>88,900</b>	<b>533,300</b>
<b>Current Provision of B&amp;B</b>						
<b>2020/21 Budget</b>	<b>280,000</b>	<b>280,000</b>				
<b>Potential Savings</b>	<b>101,800</b>	<b>191,300</b>				

- 4.7 The table above is based on the assumption that in year 1 there will be timing issues related to the purchase of units, therefore, a B&B budget will be required to enable the provision of TA whilst the units are being procured. The current forecast expenditure for temporary accommodation in 2020/21 is expected to be in the region of £280,000, therefore the proposal could generate savings of £101,800 in year 1.
- 4.8 The savings could increase to £191,300 from year 2 on the assumption that all the units are procured by this time, a small budget for provision of emergency B&B would remain. Principally these savings enable a reduced reliance on earmarked reserves that are currently required to cover additional costs, the release of grant funding in the region of £16,000 to enable additional investment in homelessness prevention measures and a saving in the Council's ongoing budget for bed and breakfast accommodation of £35,000.
- 4.9 The net revenue cost of purchasing and leasing units as set out in Table 12 of c£89,000 per year will be met by utilising the Homelessness Reduction Grant which is expected to continue for the foreseeable future.
- Risks**
- 4.11 There is a risk that the requirement for TA reduces. The Council would have number of options for the use of any purchased units including rental for social housing or affordable housing.

- 4.12 Alternately, the Council could use the purchased units to replace the current stock of TA, which are identified as needing significant maintenance works in the future. The assets could also be sold to raise capital receipts for repayment of debt.
- 4.13 There is also a risk that the property market could fall. However, historically property has tended to appreciate over time; therefore, this risk is viewed as minimal in the medium to long term.

### **Capital Budget**

- 4.12 A capital bid for this proposal has been considered as part of the 2021/22 Budget process and a recommendation to approve a budget of £1,154,000 is included in the Capital Budget report being presented to Cabinet on 11 February 2021 for referral to Council for approval on 4 March 2021.
- 4.13 A more detailed financial analysis is set out in the Options Appraisal in Appendix A.

### External funding

### **Next Steps Accommodation Programme**

- 4.2 The successful application to MHCLG accessed £270k, which will fund five B&B rooms over the winter period, and provide an enhanced offer to private landlords to help rehouse people. This funding also included £226,800 for 6 units to be purchased by Framework, and to be a shared resource for the 3 boroughs. In addition to this Gedling Borough Council needs to contribute £44k, for its share of the 6 supported properties in perpetuity.

### **Cold Weather Fund 2020**

- 4.3 A successful funding application was submitted and the predetermined allocation of £6,400 will be issued shortly.
- 4.4 The opportunity to convert a former craft room and office at Elizabeth House was included in the funding application, but was unsuccessful. However the three boroughs considered that in view of the capital costs of £24k, they would share the costs as it represents excellent value for money, and will provide Gedling Borough Council with access to 1 supported room in perpetuity. Whilst Framework have requested additional revenue funding, the Councils have been clear throughout that it is a one off capital payment which can be provided. Gedling Borough Councils share is £8k which will share will be

covered by both the Cold Weather Fund (£6,400), and the recently announced Protect Plus funding (£5k)

## **5 Legal Implications**

- 5.1 The Council owes statutory duties to eligible individuals / households who are either homeless or threatened with homelessness under the Part VII of the Housing Act 1996 which can include a requirement to provide temporary accommodation. The Council must therefore have means of accommodating these households.
- 5.2 The Council has a general power pursuant to section 120 of the Local Government Act 1972 to acquire land by agreement for the purposes of any of their functions or the benefit, improvement or development of the area. The Council can therefore acquire properties, both leasehold and freehold, for use as temporary accommodation.
- 5.3 Furthermore, the Council has various legal powers to develop land it owns which will be considered in further detail should proposals come forward to develop the two sites at Station Road and Burton Road for housing.

## **6 Equalities Implications**

- 6.1 An Equality Impact Assessment (EIA) is not required for this report.
- 6.2 The Council has a duty to provide suitable accommodation which includes taking account of any equality issues. This includes assessing the household specific needs, such as access arrangements, size and nature of the temporary accommodation (wherever possible). This is therefore considered as part of the work that the Housing Needs Team do and is not a matter for this Cabinet report.

## **7 Carbon Reduction/Environmental Sustainability Implications**

- 7.1 These are considered throughout the work programme, but there is no specific implications at this point. Further options for this will be considered going forward.

## **8 Appendices**

A – Temporary Accommodation Options Appraisal

## **9 Background Papers**

None

## **10 Reasons for Recommendations**

- 10.1 To update Members on the work being done to reduce Council's reliance and use of B&B and nightly paid accommodation to provide temporary accommodation and to note the preferred approach to address the Council's approach to address this.
- 10.2 To update Members of the request to approve a capital budget (£1,154,000 to allow for the purchasing 8 properties for use as temporary accommodation) in the same Cabinet meeting, which is linked to the preferred approach as detailed within the report.
- 10.3 To update Members of the request to approve a capital budget £2,600,000 for the development of Station Road and Burton Road sites) in the same Cabinet meeting, which is linked to the preferred approach as detailed within the report.
- 10.2 To update Members on the successful NSAP funding submission and successful Cold Weather Fund application 2020.

### **Statutory Officer Approval**

**Approved by:** Chief Financial Officer  
**Date:** 03/02/2021

**Approved by:** Monitoring Officer  
**Date:** 02/02/2021