

Signed off by	Managing Director
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To	Executive
Date	Thursday, 15 September 2022
Executive Member	Portfolio Holder for Housing and Support

Key Decision Required	Y
Wards Affected	(All Wards);

Subject	The Purchase of Temporary & Emergency Accommodation
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Recommendations	
<p>(i) Approval of investing up to £4.000m from Housing Capital Receipt Reserves to:</p> <ul style="list-style-type: none"> a) purchase and refurbish a property that will be designated as emergency accommodation for homeless single people; and b) purchase and refurbish additional properties for use as temporary accommodation for homeless families <p>(ii) The Head of Housing be authorised, in consultation with the:</p> <ul style="list-style-type: none"> • Chief Finance Officer • Strategic Head of Legal & Governance • Executive Member for Housing & Support • Deputy Leader and Executive Member for Finance & Governance • Executive Member for Investment & Companies <ul style="list-style-type: none"> a) To purchase a property that will be designated as emergency accommodation for homeless single people b) To purchase a number of properties within the agreed budget envelope that will be designated for use as temporary accommodation for homeless families 	

- c) To obtain any necessary surveys, planning consents, quotes and tenders as required to carry out refurbishment work
- d) To appoint and enter into any contracts as required, with consultants, suppliers and builders
- e) To apply to Homes England for any funding that could increase this budget envelope

Reasons for Recommendations

Housing Services' business plan identifies that, as a part of the corporate priority to become a financially self-sufficient local authority, net emergency accommodation expenditure should be managed within the approved budget. With an increase in the number and length of stay of homeless applicants in emergency accommodation, this report recommends two proposals to help achieve this at a time of increasing demand, not least due to the increasing cost of living crisis. These proposals also offer homeless applicants a better-quality service by keeping them local to their support networks and employment.

Executive Summary

Expenditure on nightly-paid emergency accommodation for homeless households is increasing. The early forecast for 2022/23 at 30 June is £0.615m compared to an approved budget of £0.429m. This is a result of a combination of factors including the cost-of-living increase, lack of affordable homes in the private rented market and a reduction in available social rented properties.

The Council has successfully addressed this situation in the past by purchasing and managing its own temporary and emergency accommodation. This report proposes a further programme of purchasing homes for use as emergency and temporary accommodation. This will not necessarily reduce current costs unless homelessness stabilises or falls but it will help us manage further increases.

This proposal supports the Council's five-year plan within the 'People' objective of 'securing the delivery of homes that can be afforded by local people'.

Executive has authority to approve the above recommendations

Statutory Powers

1. Section 120(1) Local Government Act 1972 provides the power to acquire, any land inside or outside its area for the purposes of any of its statutory duties.
2. In accordance with homeless legislation, Part VII Housing Act 1996 as amended, the Council is required to provide households with emergency accommodation whilst their homeless application is investigated and until they are housed if their application is accepted.
3. The Homeless Suitability of Accommodation (England) Order 2003 states that B&B accommodation is not to be regarded as suitable for applicants with children, except where there is no other accommodation available, therefore a maximum limit of six weeks is applied to its use. The Council runs the risk of being fined if this is breached and this would also present a reputational risk for the Council.

Background

4. Executive Members will be aware that the Housing Service currently operates the Massetts Road emergency accommodation scheme for families and seven units of self-contained temporary accommodation in the borough for homeless households. This report proposes building on this experience to provide more local accommodation which will be managed by the Housing Service.
5. The Council can own up to 199 homes before the requirement to operate a Housing Revenue Account is triggered. Following the addition of Wheatley Court, the current number is 41, significantly below 199 and the Council is still some way off this trigger.

Key Information

Rising demand in accommodation for homeless households

6. Reliance on the use of Emergency Accommodation (EA) and the need for Temporary Accommodation (TA) significantly increased during the pandemic. Demand dropped slightly for a short period but has now seen a steady increase which shows no sign of slowing. All Surrey authorities have reported increased use of EA. This has created a shortage of suitable EA for all applicants, and we are using hotels such as Travelodge for families with children and individuals that require self-contained units. The use of accommodation with no cooking facilities for households with children is illegal after an initial six-week period and the Council can be fined and face sanctions.
7. The higher demand for EA has increased spend. With scarce availability in the borough the Housing team is having to book self-contained accommodation that is much further away from the household's local schools, jobs and support networks. Regular bookings are being made in London, Kent and East & West Sussex. To reduce these impacts on households, we aim to move them to local provision as soon as possible but that is challenging.
8. The Housing Service continues to make every effort to prevent homelessness wherever possible however, in some circumstances it cannot be prevented. We have a duty to accommodate homeless households that contain a potentially vulnerable person ('vulnerable' within the definition of the Housing Act 1996 as amended) and use EA during the 56-day Relief period (a period of the statutory homeless application process).
9. Applicants remain in EA during the Relief period and in many cases longer, whilst their homeless application is investigated at the 'main duty' decision stage. Throughout their time in EA, Housing Services continue to try to secure other options for the household. In cases where the Council owe the applicant the main housing duty and no alternative accommodation has been secured, the household remains in EA pending a vacancy in more suitable TA.

Expenditure on homeless emergency accommodation

10. The table below demonstrates the increase in the cost of EA over the last four years.

Note: the two (untypical) pandemic years saw extra spend and grant funding – also fewer families were accommodated due to the ban on evictions. This period also saw an increase in single homelessness

Financial Year	Spend £000	Budget £000	Rent Income £000	Rent Income Budget £000	Grant £000	Net Cost £000	Plus: Covid Spending £000	Covid Rent Income £000	Net Covid Spending £000
18/19	398	429	126	107	Nil	272			
19/20	432	429	178	107	Nil	254			
20/21	363	429	161	150	Nil	202	179	58	121
21/22	502	429	221	150	114	167	75	19	56
Qtr 1 2022/23	203	107	70	37.5	Nil	133			

Note: Grant allocations will lower the overspend later in 2022/23, grant to be confirmed later in year

11. In 2021/22 net expenditure increased, despite receiving extra grant funding.
12. The cost of placing a household into EA depends on the size of the household, the availability of units and whether self-contained is required. The Council pays on average between £45 per night (£315 per week) and £90 per night (£630 per week), for most of these placements. We can only charge the applicant a proportion of this cost. For borough single person placements this is £139.61 per week, most of which is usually covered by Housing Benefit, but charges vary by location and family size. Generally, the larger the household the higher the net cost to the Council. The increased expenditure reflects the increasing demand from families that require larger self-contained units.
13. The table below shows the demographics of households accommodated in EA on a typical night in June for each of the five yearly periods. This confirms the increased demand from single occupants during the pandemic, returning to an increase in families subsequently. However, there continues to be a higher demand from singles for EA than pre-pandemic levels. This can be expected to be the 'new normal' as vulnerable single applicants are finding it harder to source and secure accommodation.

	Total households in B&B	Of which are single people	Of which have children
14 June 2018	18	8	10
14 June 2019	23	10	13
14 June 2020	45	38	7
14 June 2021	32	17	15
14 June 2022	41	18	23

Proposal 1: Delivering a scheme for single homeless people (EA)

14. The purchase of a property, most likely in the Redhill or Horley areas is proposed. The location reflects the point that 78% of homeless applicants in 2021-22 that made an application, came from south of the M25. Redhill and Horley are also closer to the services accessed by applicants and to the Council's other properties, making management easier and more cost effective. The most challenging aspect of this project will be to purchase an appropriate property in the right location to support the successful management of the scheme.

15. The property would be expected to accommodate up to four individuals in a shared facility house of multiple occupation and service users will occupy it on a licence agreement. It will be part of the service users' licence conditions to accept and engage with the support offered by the Council and external agencies.
16. The level of refurbishment required, and costs will be dependent on the property acquired and the extent of any remodelling necessary.
17. Based on four rooms and a rent collection rate of 80%, at around £150 rent per week the Council can expect a gross income of £0.025m per year. The collection rate may be higher, and the team will endeavour work closely with this client group to raise collection levels. Void periods have not been considered as our experience at Massetts Road, shows voids can usually be turned around in a day or two.
18. It is expected that the costs of running the property per year will be in the region of £0.030m based on operating Massetts Road, excluding salary assumptions for staff managing the property. Managing the scheme will be absorbed within the current establishment and revenue budget. A vacancy in the Housing team will allow redirection of resources to increase the number of staff hours available to manage this scheme and the new proposed TA as well as to build some resilience into overall TA & EA management capacity.
19. In comparison, the cheapest nightly paid EA currently costs the Council £315 per week and we charge rent of £139.61. This leaves a £175.39 net cost to the Council per week. We expected that EA nightly charges will increase going forward due to the rising cost of energy.
20. If we assume an unmet £0.005m net revenue cost per year to operate the new accommodation, based on the current cost of EA to the Council, this £0.005m is equivalent to just 29 weeks of the current cheapest EA net cost for the placement of one person.
21. The proposed scheme would therefore accommodate four homeless applicants for the net cost of accommodating one applicant for 29 weeks, with the added benefits of offering good quality accommodation in an area where they can access local support and services.

Proposal 2: Delivering additional self-contained family accommodation (TA)

22. It is proposed that a number of properties are acquired to be used for TA to house families. This will help ease the burden of expensive nightly-paid EA and help households retain their important local support networks.
23. These homes will be within existing estates, mainly in the south of the borough. Analysis of applicants on the Housing Register confirms that 83% of applicants from the borough reside south of the M25.
24. This proposal will focus on the purchase of 2-bedroom houses to reflect the needs of families presenting themselves as homeless, with the potential to include larger houses if suitable properties are identified.

25. Houses are being targeted, rather than flats, due to the service charges and ground maintenance costs associated with flats, which increase longer-term revenue costs. The average service charges for flats that we currently own are £1,100 per annum.
26. Post-purchase improvements may be needed to ensure that the properties are suitable, energy efficient, compliant with health and safety specifications and in a decent condition.
27. Similar to the revenue implications of the purchase of EA, each TA property allows the Council to remove a household from expensive and less suitable EA, with a consequent saving. The net cost to the Council for a family in EA ranges from £175.39 to £490.39 per week.
28. The current rent including service charge on our two bed TA units are in the region of £120 per week (£520 per month) providing an income of £6,240 pa per unit. This income supports management and maintenance costs.
29. Investment in maintenance is on-going, with some years requiring higher investment costs than others. The existing homes will be subject to survey and subject to a comprehensive long-term programme of investment supported by annual rental income.

Options

Option 1 (Recommended Option) - Proceed with both proposals, provide better quality local emergency and temporary accommodation for both client groups and reduce the reliance on expensive nightly paid private accommodation.

Option 2 – Proceed with proposal one only, provide better quality local emergency accommodation for the single homeless cohort and rely less on expensive nightly paid emergency accommodation. Do not proceed with proposal two and leave more families in less suitable emergency accommodation often outside the borough and away from their support networks.

Option 3 - Proceed with proposal two only, provide better quality local temporary accommodation for families and rely less on expensive nightly paid emergency accommodation. Do not proceed with proposal one and leave more single homeless applicants in less suitable emergency accommodation often outside the borough and away from their support networks.

Option 4 – Proceed with neither proposal, continue to rely on expensive and often out of area emergency and temporary private nightly paid accommodation.

Legal Implications

30. Both the EA and TA will be offered to homeless applicants in the partial discharge of the Council's homeless duties under the Housing Act 1996 as amended. There is no opportunity for the Right to Buy on both schemes due to the non-secure licence or tenancy to be used and placement under homelessness duties.

31. The purchase of the accommodation also reflects adherence and compliance to the requirements under The Homelessness Act 2002 requiring local housing authorities to take strategic responsibility for tackling and preventing homelessness.

Financial Implications

Revenue Budget

32. Following a rent review and purchase of these units, joint work with the Finance Team will re-baseline the EA & TA budgets to reflect the impacts. Any savings identified (surplus of income compared to costs) will be considered during Service & Financial Planning.
33. The likelihood of this project delivering a net revenue budget saving will be dependent on the rent review, the TA & EA budget review, and the pace of change in homelessness demand. It is important to note that, even if a net saving cannot be delivered, each TA & EA unit helps avoid the cost of an expensive emergency accommodation placement in the private sector therefore mitigating overspend.

Capital Programme

34. It is proposed that a contribution of up to £4.000 million from historic capital receipts that are currently held in the Housing Capital Receipts Reserve will fund these proposals. These are receipts received over many years from various housing schemes which were subject to historical covenants and affordable housing subsidy arrangements.
35. The balance on the Reserve is currently of £4.700m of which £0.500m is already committed for investment in the Raven Chavcroft development. The proposals in this report for the purchase of EA & TA will commit the remaining £4.000m balance on the Reserve.
36. It is likely that a significant element of the investment will be used for the purchase of an EA property, which may need some conversion to provide suitable individual rooms.
37. From initial market research, the value of a property which lends itself to conversion to 4 x rooms (with a preference for providing en-suites/designated bathrooms) is likely to fall within the £0.600m to £0.750m price range, with the additional cost of refurbishment being dependent on the condition and suitability of the property. Current assumptions are that purchase fees and refurbishment costs will be up to £1.000m inclusive of fees.
38. The remaining £3.000m will be earmarked for purchasing street properties for TA. It is anticipated that this will support the purchase of around eight properties. Any balance remaining would be invested in additional TA purchases.
39. If additional grant funding opportunities can be identified, these will be used to assist with purchase and refurbishment costs, with a potential focus on energy improvements to help prevent householder fuel poverty.
40. Fees will include surveys, conveyancing fees and gas & electrical certification fees.
41. The table below sets out initial indicative project costs.

Indicative Fees	Emergency Accommodation	Temporary Accommodation
Purchase Price	<i>Indicative (based on initial Rightmove Research):</i> - £600k-£750k	<i>Indicative (based on initial Rightmove Research):</i> - 2 bed house Redhill: £335k - 2 bed house Horley: £335k - 2 bed house Merstham: £350k - 2 bed house Tadworth: £380k
Conveyancing Fees	£1,050	£850 per property
Surveyor Fees	£1,325	£925 per property
Property Remodelling	TBC - dependent on property condition	n/a
Property Improvements	TBC - dependent on property condition	TBC - dependent on property condition
Estimated Total Per Property	£602k to £752k + Remodelling & improvement costs	£337k-£382k per property + Improvement costs
Estimated Capital Investment Costs	£1.000m	£3.000m
Estimated Annual Revenue Budget Costs		
Gas Safety Certification	£100 pa	£80 per property pa
Electrical Safety Certification	£350 pa	£160 per property pa
Maintenance, repairs, utilities, council tax, compliance, void works etc	£30k pa	£2,400 per property pa

Equalities Implications

42. No negative implications have been identified. There are many positive benefits for several groups with a protected characteristic. These proposals have the benefit of being located in the borough where all essential services and support services can be accessed easily.

Communication Implications

43. No communication implications

Environmental Sustainability Implications

44. The Properties that are considered for purchase for both TA and EA will be existing buildings therefore little is known at this stage about their energy efficiency properties.
45. Three major considerations will be taken into account:

- i. What additional scope 3 emissions will be added to the council's current carbon footprint through the acquisition of these properties and how can they best be mitigated?
 - ii. What measures will best ensure that the properties are efficiently heated and that costs of doing so are kept to a minimum in light of increasing energy costs and the volatile state of the energy market?
 - iii. Will the buildings be subject to any specific impacts relating to climate change (such as heat waves and flooding) and what adaptive measures can be adopted to reduce or avoid such impacts?
46. The best way to ensure that the above considerations are addressed is to inspect each property after purchase and assess what works, if any, are required to future-proof the buildings both in terms of climate change mitigation and adaptation, keeping in mind the council's aim to be net-zero for scope 3 emissions as soon as possible after our 2030 target for being net zero against scopes 1 and 2.

Risk Management Considerations

47. Property prices in this area are high and buying homes, rather than building them, can be expensive however this is a proven approach to securing homes quickly.
48. The proposal is to purchase houses for use as TA and avoid leasehold flats; this approach will avoid liability for yearly service charge costs over which we have no control.
49. The rising costs of materials will create a challenge when budgeting refurbishment work, this will be mitigated to an extent through a full survey prior to purchase.
50. In the event of homelessness decreasing to a level that we have no requirement for this TA & EA the Council has the option to offer the rental of the properties to other local authorities, rent them at social rents to households on the Housing Register or sell them to generate a capital receipt.

Other Implications

51. There are no further implications to be considered.

Consultation

52. Executive Members have been consulted.

Policy Framework

53. Our Vision: This project helps to meet our vision to make the borough a great place to live, work in, do business in and visit.
54. People Objective: This project helps us to meet our objective to deliver homes that can be afforded by local people and provides a wider choice of tenure, type and size.
55. The Homeless Strategy Action Plan, part of the Council's Homeless & Rough Sleeper Strategy 2022–2027: Action 8, commits to deliver supported accommodation for

single homeless cohort. Action 11. purchase family sized street properties for temporary accommodation.

Background Powers

1. None