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Cabinet

27<sup>th</sup> November 2018

**Name of Cabinet Member:**

Cabinet Member for Communities and Housing – Councillor Ruane

**Director Approving Submission of the report:**

Deputy Chief Executive People

**Ward(s) affected:**

All wards

**Title:**

Options to improve the quality but reduce the cost of temporary accommodation

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**Is this a key decision?**

Yes

This proposal is likely to be significant in terms of its effect on communities living or working in an area comprising 2 or more wards or electoral divisions in the area of the City.

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**Executive Summary:**

The Council has an increasing financial pressure as a result of the demand for housing from homeless households within the city. The majority of the forecast pressure of £5.1m (as reported at quarter 2 this year) relates to the increasing cost for temporary accommodation and the shortage of suitable and affordable permanent move on accommodation. Additional budget was allocated to support the increasing financial pressure at Budget Setting in 2018/19. The Pre-Budget Report includes an additional financial provision for housing and homelessness of £2.9m, £3.4m and £3.6m over the period from 2019/20 to 2021/22. Added to the amounts included in 2018/19 Budget Setting for three years (of £2.2m, £1.7m, £1.5m), this increases the additional budget (compared to the 2017/18 level) to £5.1m for each of these years.

The Homelessness Reduction Act 2017, implemented in April this year, has started to prevent and relieve homelessness, with 992 cases being closed since April from a total of 2162 approaches to the service (based on data at 29<sup>th</sup> October 2018). It is still too early to determine the long term impact on the number of households who then go on to make a full homelessness application where priority need would be considered alongside other criteria. Demand for the Housing and Homelessness service has been higher than forecast at the start of the year. Households that are homeless and meet the criteria for priority need, would be entitled to interim accommodation (under the Relief duty) up to 56 days earlier than under the previous legislation, increasing the number of households that the authority places in B&B if no other suitable accommodation is found. This will increase the financial cost pressure in the short term.

Currently the full cost of temporary accommodation is met by the Council or the Salvation Army. Housing Benefit (HB) can be claimed in most circumstances, however only a proportion of the

HB paid out by the Council can be claimed back as subsidy from The Department for Works and Pensions (DWP). The shortfall between the cost of accommodation and the HB subsidy claimed is a financial pressure for either the Council or the Salvation Army (if either HB cannot be awarded or there is only a partial award). In addition to the nightly room rate, the Council and Salvation Army currently meets the cost for utilities, but we would look for this to be passed onto the tenant going forward.

This paper presents an option to lease a high rise development to provide temporary accommodation for homeless households, mainly for small family units, with the tenant having responsibility for the utility costs. This step is to support the delivery of one of the actions from the draft Housing and Homelessness Strategy which is currently out for consultation, as agreed by Cabinet on 30<sup>th</sup> October 2018.

**Recommendations:**

Cabinet is asked to:

1. Approve the proposal to lease up to 102 properties at land at the site in the Private Report for a period of no more than 5 years for use as temporary accommodation for homeless households, whilst longer term permanent accommodation solutions are being developed.
2. Approve the use of existing funding to meet the annual lease costs, which exceed £1.5m over the life of the five year contract.
3. Delegate authority to the Director of Customer Services and Transformation following consultation with the Director of Finance and Corporate Services and the City Solicitor, in consultation with the Cabinet Member for Communities and Housing, to undertake the necessary due diligence and agree the detailed terms of the lease agreement with the developer.
4. Approve the use of capital funding to meet the costs for furniture within the accommodation, estimated to be £0.10m
5. Approve the use of city council funding to contribute towards the installation of a sprinkler system, and delegate authority to the Director of Customer Services and Transformation and Director of Finance to negotiate the most cost effective way of implementing this.

**List of Appendices included:**

None

**Background papers:**

None

**Other useful documents**

[The Implementation of the Homelessness Reduction Act 2017 Cabinet Report 6<sup>th</sup> March 2018](#)

[Draft Housing and Homelessness Strategy 2019-2024 Public consultation](#) – Cabinet Report 30<sup>th</sup> October 2019

Re-commissioning Homeless Services in Coventry – Cabinet report 27<sup>th</sup> November 2018

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

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Report title: **Options to improve the quality but reduce the cost of temporary accommodation**

**1. Context (or background)**

- 1.1 The Council has a significant financial pressure as a result of the increasing demand and costs associated with emergency and temporary accommodation for households that have made a homelessness application. As at quarter 2 (September 2018) the predicted loss of HB subsidy for 2018/19 is £5.1m.
- 1.2 Research undertaken by Inside Housing (see Table 1) supports the increase in the demand and associated cost for temporary housing over the last 5 years.

**Table 1: Coventry City Council expenditure on temporary accommodation**

	2013/14	2014/15	2015/16	2016/17	2017/18
Council expenditure	£0.57m	£0.80m	£1.36m	£2.90m	£4.10m

Council responses to Inside Housing under Freedom of information Act

- 1.3 The Council agreed to provide an additional £2.7m for temporary accommodation costs as part of budget setting for 2018/19, £2.2m in 2019/20 and £1.7m in 2020/21. In addition to this resource a further £2.9m, £3.4m and £3.6m over the period from 2019/20 to 2021/22 as included in the Pre-Budget report for Housing and Homelessness to top up the budget to £5.1m for each year in line with the reported position for quarter 2.
- 1.4 The accommodation currently used to for temporary or emergency accommodation in the main is bed and breakfasts (B&B) or hotels. These establishments do not have suitable facilities required to support a household as well as the high nightly cost associated with using this type of accommodation. Some rooms may have a fridge or a microwave for use, but it is unlikely any other kitchen facilities would be provided.
- 1.5 A small number of households have been placed into private rented sector accommodation while permanent accommodation is sought for them.
- 1.6 Households placed into emergency or temporary accommodation (excluding hostels) do not currently contribute towards the nightly rates that are borne by the Council and Salvation Army, which could be as high as £100 per night.
- 1.7 Central Government has set a cap on the amount of housing benefit that can be claimed and utilised for rental costs in the private rented sector. This is referred to as the Local Housing Allowance (LHA) rate. For the Council to discharge their housing duty into the private rented sector, rental levels would have to be close to LHA rates for them to be sustainable for tenants in receipt of benefits.
- 1.8 The Council has been approached by the developers of a high rise block in the Henley Ward area of the city. They have been refurbishing the building having acquired 102 units within the 118 unit building. The freehold is owned by another company, who have provided the developers with a leasehold interest in the building. The top two floors are currently tenanted, but the developers are in talks to acquire these additional 16 apartments as well, so they will have control of the whole of the development and can refurbish all units to the same standard. The 17 storey building is made up of 4 one bed apartments and 4 one bed studios per floor.

- 1.9 This paper explores options in relation to utilising this accommodation to provide more suitable emergency and temporary accommodation at a more cost effective rate for the Council.
- 1.10 The Housing and Homelessness Strategy sets out a number of other initiatives that will be explored to increase the supply of housing, for example, new social and commercial models, a rent guarantee scheme with private sector landlords for permanent accommodation, focusing on reducing the cost and improving the quality of temporary accommodation. As initiatives develop the appropriate approvals will be obtained including formal member approval where required.
- 1.11 One initiative that is underway is to bring c30 properties identified ranging from 1-3 beds which were earmarked for demolition but can be refurbished and bought back into use for a period of 1-3 years (depending on the site). The Council's surveyors are undertaking an exercise to identify the properties we want to invest in to bring the properties back into use. The estimated cost for refurbishment is £0.2m, which can be approved under officer delegations and funded from capital receipts.

**Table 2: Summary of the financial impact for the Whitefriars accommodation earmarked for demolition used as permanent accommodation**

Properties	1 bed	2 bed	3 bed	Total
<b>Capital investment (£k)</b>	<b>44.24</b>	<b>153.41</b>	<b>29.25</b>	<b>226.90</b>
Annual rentals (£k)	38.29	115.94	20.00	174.23
Housing benefit subsidy (£k)	36.72	104.76	17.90	159.38
<b>Net impact (£k)</b>	<b>1.57</b>	<b>11.18</b>	<b>2.09</b>	<b>14.85</b>

- 1.12 The rent levels for these properties are likely to be social rents, lower than the local housing allowance rates that have been used for the analysis above. The net impact based on recovery of housing benefit is minimal for the number of properties at £0.01m per annum, compared to the current B&B accommodation costs estimated to be £0.53m, a saving of £0.52m. These properties could be used for temporary or permanent accommodation as a 12month tenancy could be offered to tenants to allow the Council to discharge its housing duty and then suitable accommodation found within Whitefriars or another Registered Social Landlords property portfolio before the end of the tenancy.
- 1.13 Depending on the report back by surveyors, the work on these properties could commence this year, with properties available for use in early 2019.

## **2. Options considered and recommended proposal**

- 2.1 **Option 1 – Not recommended – Continue with current approach to temporary accommodation** - the Council could continue to utilise bed and breakfast accommodation to meet the temporary accommodation needs of households making a formal homelessness application under the main housing duty.
- 2.2 The current forecast financial pressure will continue to rise. New legislation that came into force in April 2018, Homelessness Reduction Act 2017, places an additional obligation on the Council to secure interim accommodation under the relief stage of the legislation where it has not been possible to prevent the household becoming homeless. This means the total cost of temporary accommodation is likely to increase as there may

be an additional requirement to provide accommodation for a period of up to 56 days, prior to the Council being able to assess if it owes the Main Housing Duty under Part 7 of the Housing Act 1996 (as amended).

- 2.3 There are a small number of households that have been in temporary accommodation for over 24 months, due to the lack of suitable properties available to discharge the Main Housing Duty, especially large family homes at an affordable rent level. This will continue to increase the cost of temporary accommodation, if we do not work towards securing suitable accommodation to discharge the Main Housing Duty.
- 2.4 This is not the recommended option.
- 2.5 **Option 2 Recommended– Lease temporary accommodation from the private rented sector**– The developers have asked the Council to consider taking a lease for the whole building to utilise the building for temporary accommodation, so they can recover the capital investment that have made in acquiring and refurbishing the site. However due to the occupancy of the top two floors this lease will be limited to 102 units as present but may increase to 118 should other units become vacant.
- 2.6 The rental levels for the units are based on LHA rate plus a small amount per week. This is lower than the Council currently pays for temporary accommodation, where costs range from £55 to £70 per night for a one bed room (£385 per week - £490 per week). Through negotiations, the developer has stated that they would provide a discount for the Council taking a lease for 102 units in the building.
- 2.7 The internal refurbishment has been based on the developers taking the building back to brick and rewiring the building to meet current standards. Each self-contained unit is refurbished to a good standard and includes a kitchen area with an electric oven and hob, separate bathroom with a shower, WC and washbasin, a seating area with table and chairs, sofa bed and then a bedroom with a double bed or two single beds and/ or a cot as required.
- 2.8 Due to the development being made up of smaller units (1 bed apartments and studios) the Council could only use the building to house singles, couples (including those pregnant with a child) or small family units with 1-2 children depending on the age of the children for temporary accommodation. To discharge duty under the Housing Act, the smaller family units may require access to a 2 bedroom property depending on the age of the children.
- 2.9 It may be possible to use the accommodation to house larger family units in apartments that are side by side, but in this instance, although there is a saving compared to B&B, it would be lower as we can only claim for HB subsidy for one unit, not two, if occupied by the same family. Although utilising the accommodation for larger families is not a desirable option, it would be a last resort while we explore and develop other suitable options for larger family units.

**Table 3: Families in temporary accommodation**

Pregnant	1 child	2 children	3 children	4 children	5+ children	other
25	120	82	61	41	31	10

Based on data from the Salvation Army Sept 2018

- 2.10 The information in Table 3, highlights the Council could utilise all 102 units available for smaller family units (singles/ couples who have one child or are pregnant), who may be currently in B&B while the Council reviews their homelessness application under the Main Housing Duty or finds suitable accommodation with at least a 6 or 12 month tenancy.

- 2.11 The lease would take into account that the developer would be responsible for all general maintenance, bills for the communal areas, an onsite Housing Officer/ Maintenance Officer who would be based on the ground floor 24/7, providing white goods and undertaking property inspections on a regular basis. The finer details of the lease need to be negotiated and agreed by both parties.
- 2.12 The Council will enter into a five year lease at an annual rental of £0.575m, subject to an option to break in favour of the Council on the third anniversary. In addition to this there is an assumed one off cost for furniture/ kitchen appliances/bedding estimated to be c£0.10m, the net cost during the lease period is included in Table 4. A further contribution will be required in relation to city council share of the cost towards a sprinkler system, which is subject to further negotiation and is dealt with as part of the private report. The payment of the annual rental under the lease will remain as a financial commitment by the Council to the landlord regardless of void periods and irrespective of the figures set out in the report. If the Council exercises the option to break at year three then the minimum commitment will be £1.73m in rental payments, prior to adjusting for housing benefit subsidy that could offset part of this cost. Table 4. This payment of the annual rental under the lease will remain as a financial commitment by the Council to the landlord regardless of void periods and irrespective of the figures set out in the report. If the Council exercises the option to break at year three then the minimum commitment will be £1.73m in rental payments, prior to adjusting for housing benefit subsidy that could offset part of this cost.
- 2.13 Officers are still negotiating the finer details of the lease and will seek to limit any liability on the Council through negotiations.

**Table 4: Summary of the financial impact for leasing 102 units as temporary accommodation**

Nature of costs	Net annual impact (exc one off)	Net costs over contract (5 years)
One off costs - capital		£0.10m
Ongoing costs	£0.32m	£1.60m
Total costs		£1.70m

Key - £ cost/ (income)

Costs over a 5 year period include the one off costs for furniture

The annual rental figure will be due even when the units are void due to tenants moving out. Housing benefit subsidy is based on assuming voids of 10% per annum.

The one off costs relate to initial outlay for furniture (£0.1m). We are negotiating with the developer to meet any ongoing costs for furniture through damage or wear and tear going forward. The cost for furniture includes a buffer to take account of ongoing replacement/ wear and tear and will only be utilised if required.

- 2.14 The building is electrically heated and each unit has a separate meter which is serviced by a pre-payment card. The proposal is to pass this cost onto the tenant in line with such costs being met in hostels and other private rented temporary accommodation.
- 2.15 The costs in Table 4, include an amount for support by the current Salvation Army contract to provide onsite support to tenants. The level of support required for the tenants in the building, who will be of low to medium risk may include a benefits review to ensure

tenants are receiving support they are entitled to, budgeting or money management, debt management and seeking financial assistance to support rent arrears, employment advice and training, help to search for a suitable property in private rented sector or bidding on the Home finder system for a social property, health and wellbeing support (registering for GP, attending school etc). Some of this support is currently provided by the in-house Housing and Homelessness team, so only additional support needs would be commissioned for the family units that require it. This requirement will be included in the new recommissioned contract going forward, so there is one provider for support for the different customer groups. Ways of providing more specialist support to individuals and families either directly or via referral from Salvation Army/ new contract provider will be developed.

- 2.16 As the building will be used as temporary accommodation, the Council will not receive Council Tax revenue for the residential units in the building. The estimated Council tax based on the full charge is £0.12m, but as the building has not been fully occupied for a number of years the council has not been receiving this level of income. Even if the building was used for permanent accommodation, it is likely most of the occupants would be entitled to Council tax support and possibly a single person discount, reducing the council tax revenue that may have been due.
- 2.17 Compared to B&B accommodation obtaining a lease for the 102 units, would save £1.22m per annum compared to B&B. This is the recommended option, funded from the additional resources already allocated towards temporary accommodation costs as part of budget setting for 2018/19.
- 2.18 The Council will conduct a Fire Assessment and a Health and Safety assessment with key partners and experts in the field to ensure necessary measures as recommended are implemented ahead of moving any tenants into the building, and will be a key condition of any lease arrangements. This includes the installation of a sprinkler system in the building. The estimated costs of this are included in the financials. The finalisation of the cost share is subject to negotiation under delegated authority.

### **3. Results of consultation undertaken**

- 3.1 Workshops have taken place with private sector landlords to jointly consider the perceived barriers landlords may have towards accepting tenants who have previously been homeless or are entitled to benefits. The discussion with landlords explored ideas that could be implemented to reduce the risk for landlords and to encourage more availability of private sector properties for use by the Housing and Homelessness team.

### **4. Timetable for implementing this decision**

#### **4.1 Option 2 – Lease agreement**

- Lease agreement negotiations undertaken and document drafted – November 2018
- Undertake a Fire Assessment for the building jointly with the Council, Fire Service and Whitefriars to ensure the necessary measures for fire safety are in place ahead of moving any tenants into the building –November-December 2018
- Undertake a Joint Health and Safety Assessment with the Council, Whitefriars and an independent Health and Safety Officer in this field, with the details of the report being considered ahead of moving any tenants into the building –November-December 2018
- Signing the lease – December 2018

- Final refurbishment complete for all units – December 2018
- Determine which tenants could move into this building for temporary accommodation.
- First properties available for use – on signing the lease agreement – mid December 2018/ January 2019
- Ensure the internal processes are in place to managing placements into the building and arranging for appropriate support from the Salvation Army or other partners as identified in individual Personal Housing Plans – December 19 – January 2019

## **5. Comments from Director of Finance and Corporate Services**

### **5.1 Financial implications**

The Council has a legal obligation to provide temporary accommodation for homelessness households in priority need, with a local connection who have not made themselves intentionally homeless. The proposals in the report seek to reduce the current expenditure on temporary accommodation through provision of this more cost effective and suitable accommodation. Based on current expenditure levels, if the Council was to continue to rely solely on B&B for temporary accommodation this would equate to £1.54m per annum for the households that could be placed in accommodation under the proposed lease agreement. This proposal will save the Council £1.22m each year, compared to B&B.

It is proposed that the lease costs associated with this agreement will be met from the additional resources allocated towards temporary accommodation costs as part of budget setting. Over a 5 year period the financial exposure is estimated to equate to up to £1.70m excluding any contribution the city council makes towards the cost of a sprinkler system which is subject to further negotiation and is dealt with as part of the private report.

Installation of the sprinkler system will delay the properties being ready into the next financial year. The costs of the delay are made up of the lease payments (without any housing benefit subsidy offset), and the unrealised saving in relation to B & B estimated to be approximately £0.15M per month.

Lease costs will be payable quarterly in advance, from when we take occupation of the building (assumed to be incurred whilst fitting the sprinkler system). Officers have started to consider which tenants maybe suitable for this type of accommodation and the internal processes required to ensure we reduce the number of voids we have in the building at any time.

The one-off costs will be funded from capital receipts or prudential borrowing. If the Council chooses to fund the cost by prudential borrowing the total capital financing costs will be recovered from the wider business case.

### **5.2 Legal implications**

5.2.1 The Council also has a general power to enter into leases under the powers of general competence contained in Section 1 of the Localism Act 2011 and S111 and S120 of the 1972 Local Government Act.

5.2.2 The 102 units due to be leased would be used for temporary accommodation only. The placement of individuals will be managed in-house by the Housing and Homelessness team, in the same way we place customers in B&B. The legal agreement in place will be between the Council and the landlord. Customers will sign an agreement when they move into the building in relation to the health and safety and the standards the landlord

requires the property to be kept in whilst they are there and details of any property inspections and checks that may take place.

### **5.3 Procurement and State Aid**

5.3.1 The Council is a "*contracting authority*" for the purposes of Directive 2014/24/EC and the Procurement Regulations 2015.

5.3.2 This proposal is not subject to the Procurement Regulations 2015 as it is property transaction in which the Council is entering into. As a result the Procurement Regulations 2015 are not applicable in this case.

## **6. Other implications**

As the accommodation is only temporary the impact on nearby schools and nurseries, GP surgeries should be minimal, as the children would continue to attend any educational establishment they were previously attending. Where tenants may not be Coventry residents, such as if they have left previous accommodation due to domestic violence or other such circumstances, there may be a small impact on local schools nurseries. It is only where individuals are placed into permanent accommodation that the school the children attend may be considered.

Should the Council not take on the lease for the building, the developer will seek another partner to occupy the building to recover the investment made in the building.

### **6.1 How will this contribute to the Council Plan ([www.coventry.gov.uk/councilplan/](http://www.coventry.gov.uk/councilplan/))?**

This will directly contribute to the Council Plan 'Locally Committed' commitment to improve the quality of life for Coventry people, protecting our most vulnerable residents through helping people who do become homeless.

### **6.2 How is risk being managed?**

There have been concerns about the levels of anti-social behaviour within the area of the development previously and in the surrounding area. The developers are keen for the newly refurbished building to have a new lease of life and to be a key part of the community. The developers will remain as the management company responsible for the building and will undertake regular spot checks of the property externally and internally to protect their investment and ensure the safety of the tenants and residents in the surrounding area.

There will be an onsite presence in the form of Housing Officer/ Maintenance Officer available 24/7, to support and deal with any incidences.

All households who are placed into temporary accommodation undertake a risk assessment to understand any specific needs or requirements. This assessment will be undertaken by the Council's Housing and Homelessness team who will manage the placement of tenants into this building. The tenants selected to move into this high rise building for temporary accommodation would be assessed as low or medium risk to reduce the likelihood of any anti-social behaviour or other incidents.

### **6.3 What is the impact on the organisation?**

This proposal will increase the availability of property to use meet the needs of households who require temporary accommodation. It will provide a more cost effective

and suitable solution for housing. The allocation of households to this property will be managed by the Housing and Homelessness team in Customer Services in line with current processes and should strengthen the Council's position if we choose to bring the placements of families into accommodation in house as part of the support contract recommissioning. The contract recommissioning work is still in progress, even if placements are not the responsibility of the Council, this will provide accommodation that could be utilised as part of the new contract.

#### **6.4 Equalities / EIA**

Homeless households will undertake a Housing Assessment and have a Personal Housing Plan (which details reasonable steps to be taken by the applicant and by the Council to prevent or relieve homelessness) and this must take into account the applicants individual circumstances – this will include any considerations due to protected characteristics which may determine what is 'reasonable' and also the type of accommodation which would be deemed 'suitable' in order to discharge the duties.

The allocation of households to the accommodation in this paper will be based on the current processes and will consider whether this type of accommodation would be suitable for the individual or household. Any decisions made should have due regard to the public sector equality duty.

#### **6.5 Implications for (or impact on) the environment**

The refurbishment programme will improve the sustainability of the building. Each unit will be separately metered and electrically heated so the tenant will have control over the use of power and the associated.

#### **6.6 Implications for partner organisations?**

The developers will work with local organisations including the Police, local GPs and schools to understand any potential issues in they need to be aware of and manage. A review of the property and the use of the building for temporary accommodation will be undertaken by key partners (Whitefriars and Salvation Army) to consider how the Council and developer can jointly work together to effectively manage the use of the building.

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<b>Names of approvers for submission: (officers and members)</b>				
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Members: Councillor Ruane	Cabinet Member for Housing and Communities	n/a	1/11/18	9/11/18

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