

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the financial and business affairs of any particular person (including the authority holding that information)

Cabinet
Council

10 March 2020
17 March 2020

Name of Cabinet Member:

Cabinet Member for Housing and Communities – Councillor T Khan

Director Approving Submission of the report:

Deputy Chief Executive (People)

Ward(s) affected:

All

Title:

Options to Improve the Provision of Temporary Accommodation for Single Homeless People Through Property Acquisition

Is this a key decision?

Yes - the proposals involve financial implications in excess of £1m per annum and are likely to have a significant impact on residents or businesses two or more electoral wards in the City.

Executive Summary:

The Council has legal duties to provide accommodation to homeless people who are eligible and in priority need. In recent years demands on the Housing and Homelessness service have increased, with an attendant rise in the use and cost of Temporary Accommodation.

The Council has responded with a new Housing and Homelessness strategy including the recommissioning of Homelessness-related Support Service contracts, review of key policies and procedures, improvements in Temporary Accommodation options available for families and significant reductions in the amount paid for this accommodation. This paper sets out options to continue this work by improving the accommodation and support available to vulnerable residents, especially for the increasing number of single homeless adults in the city.

Recommendations:

The Cabinet is requested to recommend that the Council:

- 1) Approve the proposals and delegate authority to the Director of Housing and Transformation, following consultation with the Cabinet Member for Communities and Housing, to identify the properties and to agree detailed terms of the transaction and to enter into the relevant legal agreements and associated documents necessary to complete the transaction
- 2) Approve the addition to the capital programme of an amount outlined in the private report to meet the cost of acquisition and refurbishment of properties for use as Temporary Accommodation for single homeless people, funded from borrowing.

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- 3) Approve the addition to the capital programme of an amount outlined in the private report to meet the cost of acquisition and refurbishment of properties for use as Temporary Accommodation for single homeless people, funded from borrowing.

List of Appendices included:

None

Background papers:

None

Other useful documents

Cabinet Report 27 November 2018:

[Options to improve the quality but reduce the cost of temporary accommodation](#)

Council Report 19 March 2019:

[Adoption of Housing & Homelessness Strategy 2019-24](#)

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?

Yes – 17 March 2020

Report title:

Options to Improve the Provision of Temporary Accommodation for Single Homeless People Through Property Acquisition

1. Context (or background)

- 1.1 In common with most of the Country, the Council has seen a significant increase in demand from homeless households over the past few years. This may be due to several factors, including the introduction of the Homelessness Reduction Act 2017 which brought in the new prevention and relief duties, changes to welfare benefits and wider welfare reforms and an increasing gap between typical rent and income levels in the city.
- 1.2 As of February 2020, the service has a caseload of over 800 households owed some form of homelessness duty, and over 680 households in Interim or Temporary accommodation provided by the local authority. The number of approaches to the service, the number owed a homelessness duty and the number in Temporary Accommodation all continue to rise.
- 1.3 Aside from the proposals contained in this report, the Housing and Homelessness service is exploring and delivering a number of projects to address these issues. These include better quality accommodation for families either through leasing or securing nomination rights, increasing the number of supported accommodation units for single people, and increasing access to the private rented sector to discharge homelessness duties.
- 1.4 In the last 18-months several projects have successfully reduced the use of B&Bs for families and moved families to more cost effective and suitable accommodation. As at 16 January 2020, no homeless families are living in B&B accommodation provided through the Homeless service (which has been the case since September 2019 except briefly in emergency cases). However, there remains a large number of single homeless people in B&B or hotel accommodation (approximately 30 to 35% of the whole cohort). This accommodation typically is not suitable to support a household, with limited cooking facilities or private space, and is the most expensive type of temporary accommodation that councils use.
- 1.5 Although Housing Benefit (HB) can be claimed for this accommodation, 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). This results in a shortfall between the cost of accommodation and the HB subsidy claimed back. The shortfall is greatest when people are placed in private B&B or Hotel-type accommodation, compared to other types of accommodation such as self-contained units or Council-owned properties.
- 1.6 Although the Council no longer owns any Council houses following the housing stock transfer to Whitefriars in September 2000, it is able to own properties providing the total housing stock remains under 200 dwellings under exemption from the Secretary of State. In practice this means the Council can develop or acquire a small amount of residential property directly, presenting new options to improve the quality and reduce the cost of temporary accommodation.
- 1.7 This above situation has resulted in a significant financial pressure for the Council, primarily due to the increasing demand and high cost of Temporary Accommodation. For 2019/20 it is forecast that the cost to the council of households in Temporary Accommodation will be in excess of £9m.

- 1.8 Various schemes are underway to reduce the cost of Temporary Accommodation including Caradoc Hall and Frank Walsh House. Additionally, the Council continues to look at alternative forms accommodation that could reduce the gap between the temporary accommodation cost and housing benefit subsidy grant, which is the cost met by the Council. Through negotiating better rates with existing accommodation providers, the Council has reduced costs over £1m per annum.
- 1.9 Under current housing benefit legislation, direct Council ownership of Temporary Accommodation attracts a higher subsidy than most other forms of Temporary Accommodation. To maximise the subsidy that we can claim and reduce the cost to the Council, this paper therefore seeks approval to purchase properties for use as Supported Accommodation for single individuals.

2. Options considered and recommended proposal

2.1 Option 1 (not recommended) – do nothing

2.2 The Council could maintain its current approach to Temporary Accommodation. Although the use of expensive and poor-quality accommodation has reduced, this option would see a significant number of single households continuing to be placed in unsuitable accommodation. This would do nothing further to address the support needs of this cohort or the significant financial pressure resulting from the use of expensive accommodation and HB subsidy loss.

2.3 The number of new admissions to Temporary Accommodation consistently outstrip the number discharged (a net increase of 3 per week on average). Therefore, doing nothing would not be a neutral position as the numbers in Temporary Accommodation would continue to increase.

2.4 This is not the recommended option.

2.5 Option 2 (not recommended) – lease properties for use as temporary accommodation

2.6 Rather than purchasing properties directly as a Council it would be possible to lease for use as Temporary Accommodation. Leasing could take different forms, from entering into longer contracts for existing private sector accommodation to leasing large buildings or individual houses.

2.7 This would have an impact on the Housing Benefit subsidy that could be recovered. In leased homelessness accommodation that is not self-contained for period up to 10 years, the Council can only claim 90% of the 2011 one bedroom Local Housing Allowance Rate back from DWP (£88.27 per week) for single people.

2.8 This is lower than the subsidy that can be claimed for singles living in B&Bs or hotels (£98.08 per week) and is much lower than the subsidy that is available for directly owned Council Temporary Accommodation. For directly owned accommodation, full subsidy can be claimed as long as the costs are deemed to be reasonable and proportionate.

2.9 For singles, the lease of properties for use as Temporary Accommodation is therefore deemed to be a more expensive option.

2.10 Aside from the financial impacts of leasing there would also be less control over the provision of support and the quality of the accommodation. We wish to see the creation of

accommodation that is not only a safe place for someone to stay, but also supports them to become tenancy ready and live self-sufficiently. The current accommodation providers do not offer this additional support service, which is partly the cause of the large numbers of people in Temporary Accommodation for long periods of time.

2.11 This is not the recommended option.

2.12 **Option 3 (recommended) – acquire properties for use as supported temporary accommodation**

2.13 The recommended option would create a pathway for single people in Temporary Accommodation comprised of the following elements:

- Two Council-owned buildings of approximately 25 beds each. The layout would consist of private bedrooms and share laundry and cooking facilities. These buildings would be for clients with the highest support needs and would be staffed around the clock. Staff based at the properties would provide property management, housing management and personal support to the residents. As clients develop tenancy and lifestyle skills they may be referred to the next step in the pathway:
- Approximately 10 smaller Council-owned buildings of approximately 5 beds each, dispersed across the city. Similarly, clients would have private bedrooms with shared facilities. They would also be supported by property, housing and personal support staff based at the buildings, although their needs and interactions with staff would be less.
- All clients would be given support to bid and secure permanent accommodation either in the social or privately rented sector. An intended outcome for all clients would be tenancy readiness and helping them to secure long-term, sustainable homes.

2.14 This option keeps the property and housing management resource 'in house' to be delivered directly by the local authority. This will allow closer management of the building to ensure it accepts referrals for clients presenting with the highest needs. These are clients that private providers are typically unwilling or unable to accommodate. It is also considered to be the most cost-effective way of providing this type of accommodation. The intention is for the personal support element (namely supporting clients to develop the skills to maintain a tenancy) to be provided by a specialist private support provider with experience in providing personal support to people with complex needs.

2.15 These properties would be owned by the Council and 100% of the eligible rent covered by Housing Benefit would be reclaimed in subsidy from the DWP, significantly reducing the overall cost to the Council.

2.16 The subsidy will therefore cover most of the costs associated with owning and running the properties. Costs covered include interest on borrowing, overheads, maintenance, running costs, staff, facilities staff and insurance. The subsidy will not cover capital repayment of loans or the cost of the personal support workers.

2.17 The Council are aware of opportunities within the local housing market to acquire larger buildings as well as smaller properties. To ensure properties can be purchased and refurbished to a suitable standard under this model, the Council recommends a budget is approved which is outlined in the private report.

2.18 The detailed financial case is outlined in the private version of this report.

2.19 Alongside the financial case, the non-financial benefits are also significant. The project will create more accommodation with dedicated support for those with higher support needs.

This complements the wider approach of the Housing and Homelessness strategy and the recommissioning of Homelessness-related support contracts. These have taken a 'positive pathway' approach to tackling homelessness, providing support from early intervention through prevention, crisis support and tenancy sustainment.

3. Results of consultation undertaken

- 3.1 No consultation has yet been undertaken as part of this project. However, if the recommendations are approved there would be local public consultation on the use of any large buildings before a final decision is made under the delegated authority.
- 3.2 To achieve this, we will work with local partners, businesses, residents and Ward Members to engage with local communities on our proposals. This engagement is likely to include elements of face to face feedback, such as in a workshop session, and the opportunity to feed into an online survey and discussion group using the Council's Let's Talk platform.

4. Timetable for implementing this decision

- 4.1 Following the decision, the existing project team will seek to identify and acquire larger properties as soon as possible. It is anticipated that the acquisition and renovation of a suitable building could take 6 to 12 months, dependent on market availability and current condition of properties in question. As above, the intention is to open two larger buildings, although this may be delivered in two phases dependent on availability of suitable properties.
- 4.2 The acquisition of smaller buildings will be phased over the course of the next 12 months to ensure a gradual build-up of available properties. The initial houses could be acquired quickly and would not have the same renovation requirements as the larger buildings. However, the intention is to open the first larger building before operating any properties as the support and management resources will be based out of here.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

The financial implications are largely contained in the private report.

Under the proposed model it is estimated that substantial savings will be generated. In order to generate these savings, capital investment is required. This capital requirement will need to be met through borrowing.

The model assumed the capital is funded through borrowing over 40 years. The cost of borrowing is recovered through the housing benefit subsidy grant.

A number of key risks are included in paragraph 6.2, all of which would have financial implications. The mitigation for these risks is also included in section 6.2 below.

5.2 Legal implications

- 5.2.1 Under Section 12 of the Local Government Act 2003 the Council has a specific power to invest. The power states "a local authority may invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". This provides the Council with a power to invest in properties, for any purpose relevant to its functions (this function would have to be identified) or if the Council

can show it is for the prudent management of its financial affairs. Under section 1 of the Localism Act 2011, the Council also has a power “to do anything that individuals generally may do” (the “General Power of Competence”). “Individual” means an individual with full capacity. The General Power of Competence gives the Council:

- i. power to do a thing anywhere in the United Kingdom or elsewhere,
- ii. power to do it for a commercial purpose or otherwise for a charge, or without charge, and
- iii. power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.

5.2.2 Where the Council uses the General Power of Competence to do something for a commercial purpose, section 4 of the Localism Act 2011 requires that the Council must do so through a company (which has a wider definition than for the purposes of section 95 Local Government Act 2003).

5.2.3 The General Power of Competence is limited by any restrictions on any pre-existing powers of the Council. The General Power of Competence can be used in conjunction with existing powers, for example the section 95 trading power.

Procurement and State Aid

5.2.4 The Council is not purchasing any services, goods or works as part of the transaction, and so the Public Contracts Regulations 2015 and the Council’s contract procedure rules will not apply as this is a property transaction.

5.2.5 The Council is complying with EU State aid law as the transaction is being undertaken upon arms’ length terms, meaning that no benefit is conferred on the vendor and there is no distortion to competition.

Housing Revenue Account

5.2.6 The Council have an exemption from the Ministry for Housing, Communities and Local Government which allows the Council to hold up to 200 properties without the need to operate a housing revenue account. Each time a property is acquired the Council need to inform the Ministry for Housing, Communities and Local Government of the new address.

6. Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

This scheme contributes to the following objectives in the Council Plan:

- ‘Reducing the impact of poverty’ – by supporting people and placing them in suitable accommodation, with the intention of helping them secure their own permanent accommodation long term. Evidence shows that secure housing can lift people out of poverty and reduce the wider impact of poverty on their lives
- ‘Improving health and wellbeing’ – by providing safe and adequately supported accommodation, which evidence shows is one of the key wider determinants of health and wellbeing
- ‘Protecting our most vulnerable people’ – by offering support and guidance to people who are homeless or threatened with homelessness, providing personal support, and ultimately helping them to secure permanent accommodation
- ‘Making savings so that we can support frontline services’ – by operating a model that will significantly reduce the overall cost of Temporary Accommodation when

compared to B&Bs and other nightly rates. This saves money that can be better used to fund activities that prevent homelessness and other frontline services

- ‘Empowering citizens and encouraging active communities’ – by providing more personal support in a safe setting to help people achieve their ambitions
- ‘Working together with neighbours and partners across the voluntary, public and private sectors’ – this scheme requires the Council to work with private sector owners of accommodation to acquire and use for homeless clients. The council will also continue to work with many partners to support homeless people.

6.2 How is risk being managed?

A number of risks have been identified related to this project along with mitigations:

- Risk that occupancy levels are not maintained at the properties – this will be mitigated by close housing management and performance monitoring. There is high demand for accommodation of this type and there will not be a shortage of suitable clients. The Accommodation Team have experience maintaining other properties above 90% occupancy.
- Risk that Benefits Legislation changes (reducing reclaimed subsidy) – there is no immediate indication that this legislation is set to change. If a change is proposed the Council would still make significant savings for the period that current legislation continued. If there was a substantial change to legislation the Council would still own an asset that could either be sold or repurposed. We are developing contingency plans to use the buildings for other purposes in case this risk materialises.
- Where the Council is the employer, a risk that directly managing property and housing management staff would lead to additional costs compared to contracting an external organisation – there will be resilience for these teams within the existing facilities management and accommodation teams to manage sickness absence and leave. The drawbacks of providing this through an external provider (loss of control, expense and time delays) are thought to outweigh the risks of providing it internally.
- Planning permission will likely be required for the larger buildings – the Council would look to ensure that the sale is subject to securing planning permission.
- Risk that the required team structure costs are more than we can claim through HB – internal discussions in relation to team costs will be undertaken to ensure fit within HB guidelines.

6.3 What is the impact on the organisation?

Effective management of supported accommodation will require additional human resources. In brief, these are likely to include a new team manager and a small team of housing officers. These staff will be employed directly by the local authority and report in to the existing Accommodation Team within the Housing and Homelessness Service. There will also be resource required for building maintenance and cleaning.

The project will result in new accommodation, both the residential units and the provision of on-site office space for the resources mentioned above. In total the project is expected to result in 12 additional properties in the Council's portfolio which will be dispersed across different areas of the city.

As the Council is seeking to acquire these properties it will own the assets after capital repayments have been made.

6.4 Equality and Consultation Analysis (ECA)

No formal Equalities and Consultation Analysis has been carried out for this project. Citizens placed in the accommodation related to this project will be determined based on the homelessness duties owed and their specific housing need. Due to the nature of the proposal this scheme will naturally only have an impact those living as single people.

Beyond this it is not anticipated that there will be any particular impact on any group based on age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

All households affected will have a Personal Housing Plan which must take into account the applicant's individual circumstances including due regard to the public sector equality duty.

6.5 Implications for (or impact on) climate change and the environment

None

6.6 Implications for partner organisations?

There is an implication on local neighbourhoods, especially in the areas where the larger buildings are located as they will house more clients in a single area. The smaller buildings are intended to be dispersed across the city and are not like to have any significant impact on local neighbourhoods. The Council will engage with communities and local neighbourhoods affected by any proposed properties once they have been identified.

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