
Cabinet
Council

15th March 2022
22nd March 2022

Name of Cabinet Member:

Cabinet Member for Housing and Communities – Councillor D Welsh

Director approving submission of the report:

Director of Adult Services and Housing

Ward(s) affected:

All - City wide

Title: Options to Improve the Provision of Temporary Accommodation for Homeless Families 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 a statutory duty to provide Temporary Accommodation (TA) to homeless households who are eligible and have a priority need.

In order to meet demand from homeless families who require temporary accommodation of 3 or more bedrooms this report seeks permission to initially add £6m to the Councils capital programme to purchase, refurbish and manage 25 properties to use as temporary accommodation for homeless families. Subject to review, and once 25 properties have been achieved and/or £6m resource has been used the programme may be increased by a further 25 properties bringing the total to 50 properties. In completing this programme of work the City Council will focus on bringing as many Houses of Multiple Occupation (HMOs) back into family use for temporary accommodation as possible within the delivery timescales.

In addition, the Council will seek nomination agreements for a further 25 properties of 3 or more bedrooms for use as temporary accommodation from existing approved budgets.

There remains a significant demand for Temporary Accommodation from families and as of 11 February 2022 there were 83 families in 3 and 4 bedroomed nightly Temporary Accommodation. There is no indication that this number will reduce.

Previous programmes of work undertaken within the Housing and Homelessness Service has focussed on temporary accommodation for smaller families, requiring 1 or 2 bedrooms and

accommodation for single people. These initiatives have resulted in both a reduced cost and improved supply of TA.

The proposals contained within this report aim to deliver a similar set of outcomes to those achieved for smaller families and single people through both reducing the cost and improving the supply of Temporary Accommodation.

Recommendations:

The Cabinet is requested to approve:

1. That Capital resource of up to £6m is added to the capital programme to purchase, refurbish and manage 25 properties which are 3 or more bedrooms to use as Temporary Housing for homeless families.
2. That approval is sought to enable Nomination Agreements to be entered into for 25 properties which have 3 or more bedrooms for use as Temporary Housing for homeless families using existing approved budgets.
3. A further £7million to purchase, refurbish and manage properties to use as Temporary Housing for homeless families to be added to the capital programme once the £6million has been expended and/or 25 properties have been purchased in recommendation 10 above, and delegated authority be given to the Chief Operating Officer (Section 151 officer), following consultation with the Director of Adult Services and Housing, the Cabinet Member for Housing and Communities and the Cabinet Member for Strategic Finance and Resources, to ensure it continues to deliver value for money in purchasing properties to use as Temporary Housing for homeless families.
4. Delegate authority to the Chief Operating Officer (Section 151 officer), following consultation with the Director of Adult Services and Housing, the Cabinet Member for Housing and Communities and the Cabinet Member for Strategic Finance and Resources, to finalise and agree the detailed terms of the acquisitions. The authority under this delegation shall also include the power to enter into the necessary legal agreements and subsequently the power to negotiate and agree variations to the terms of such agreements.

Council is requested to approve:

1. That capital resource of up to £6m is added to the capital programme to purchase, refurbish and manage 25 properties which have 3 or more bedrooms to use as Temporary Housing for homeless families.
2. That approval is sought to enable Nomination Agreements to be entered into for 25 properties which have 3 or more bedrooms for use as Temporary Housing for homeless families using existing approved budgets.
3. A further £7million to purchase, refurbish and manage properties to use as Temporary Housing for homeless families to be added to the capital programme once the £6million has been expended and/or 25 properties have been purchased in recommendation 1 which is delegated authority to the Chief Operating Officer (Section 151 officer), following consultation with the Director of Adult Services and Housing, the Cabinet Member for Housing and Communities and the Cabinet Member for Strategic Finance and Resources, to ensure it continues to deliver value for money in purchasing properties to use as Temporary Housing for homeless families.

4. Delegate authority to the Chief Operating Officer (Section 151 officer), following consultation with the Director of Adult Services and Housing, the Cabinet Member for Housing and Communities and the Cabinet Member for Strategic Finance and Resources, to finalise and agree the detailed terms of the acquisitions. The authority under this delegation shall also include the power to enter into the necessary legal agreements and subsequently the power to negotiate and agree variations to the terms of such agreements.

List of Appendices included:

None

Background papers:

None

Other useful documents

Housing and Homelessness strategy

www.coventry.gov.uk/downloads/file/30137/housing_and_homelessness_strategy_2019

Has it or will it be considered by scrutiny?

No

Has it or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

Yes - 22 March 2022

1. Context (or background)

- 1.1. The Council has a statutory duty to provide Temporary Accommodation (TA) to homeless households who are eligible and have a priority need.
- 1.2. Over the last two years the service has successfully eradicated the use of Bed & Breakfast (B&B) for families and no family has been placed by the homeless service in B&B since 2019. This position has been achieved as a result of a number of initiatives.
- 1.3. In respect of single people requiring temporary accommodation the purchase by the City Council of Houses for Multiple Occupation has also reduced the costs and improved the financial sustainability of the service.
- 1.4. There remains a significant demand for Temporary Accommodation from families and as at 7 February 2022, approximately 330 families were living in Temporary Accommodation. Over the previous six months this number has fluctuated between 305 and 340. As of 11 February 2022, there were 83 families in 3 and 4 bedroomed nightly Temporary Accommodation. There is no indication that this number will reduce.
- 1.5. Where families require Temporary Accommodation of three or more bedrooms this demand is currently met through a combination of agreements, a voluntary sector organisation, and private landlords (nightly lets). These arrangements are short term which creates a lack of stability of supply and also high cost as the amount paid to nightly let providers is much higher than the amount of Housing Benefit the City Council can claim back as subsidy through Housing Benefit.
- 1.6. Under current Housing Benefit Legislation where the Council has direct ownership of Temporary Accommodation the recovery of Housing Benefit is much higher than any other form of Temporary Accommodation. Therefore, to maximise income and reduce the cost to the Council, this paper seeks approval to purchase properties for use as Temporary Accommodation while keeping the total housing stock owned by the Council below 200 dwellings so as to remain under the threshold set by the Secretary of State where the City Council would otherwise be required to operate a Housing Revenue Account.

2. Options considered and recommended proposal

2.1. Option 1 (recommended) – acquire properties for use as Temporary Accommodation

- 2.1.2 The recommendation would allow the service to purchase, refurbish, manage and let an estimated 25 self-contained family properties subject to the size of the properties which are purchased. The size and location will be subject to further analysis and the availability of properties for sale. They are likely to consist of 19 3-bedroomed properties and 6 4-bedroomed or larger with this split to be kept under review as purchases are made. Purchases will take place on a city-wide basis with an emphasis on bringing former HMOs back into use as temporary family housing.
- 2.1.3 The Council has a proven ability to deliver this type of project as demonstrated through the acquisition of properties to use as Temporary Accommodation, this included 6 large family homes and a number of Houses of Multiple Occupation (HMO) to accommodate single people.
- 2.1.4 If approved the same project team that successfully delivered the HMO programme would be deployed to deliver the recommendations within this report.

- 2.1.5 This recommendation keeps the property and management resource 'in house' to be delivered directly by the City Council. Not only will this allow closer management and stability as the service can ensure it accepts families that other providers may refuse, but it is considered the most cost-effective way to provide family Temporary Accommodation. Once purchased the properties would be managed by the housing & homelessness service in partnership facilities management.
- 2.1.6 These properties would be owned by the Council and 100% of all the eligible rent will be covered by Housing Benefit, significantly reducing the cost to the Council.
- 2.1.7 The rent is estimated to cover all of the associated costs with running and owning the properties such as interest on borrowing, overheads, staffing, repairs and maintenance. It will not cover capital repayments.

2.2 Option 2 (recommended) – Enter into nomination agreements for properties for use as Temporary Accommodation

- 2.1.1 Alongside the direct purchase of properties, it is possible to enter into a nomination agreement for properties from private landlords to use as Temporary Accommodation.
- 2.1.2 Any arrangement would make clear the responsibility of the landlord to repair and make the property fit for occupation within a set time period to avoid a fee reduction or a financial penalty.
- 2.1.3 This would have an impact on the Housing Benefit subsidy that could be recovered as this form of Temporary Accommodation can only claim 90% of the 2011 LHA rate.
- 2.1.4 Entering into a nominations agreement for private sector properties will be more expensive than option 1, however it would be cheaper than the current position (option 4). It also reduces the capital commitment required and can give more flexibility to cease using a particular property. By pursuing this recommendation alongside a purchase recommendation, it is likely that the total stock of available temporary accommodation could be grown at a faster rate than option one alone. Pursuing both options also enables a review of the relative merits of both options once a threshold of 25 properties has been met, before proceeding further.
- 2.1.5 Alongside the financial impact of lea there would be less control over the housing management and quality of the accommodation, however if a small number of properties were leased this would be manageable by existing resources. Lease agreements would also contain clauses meaning the lease value would not be paid should the property be unavailable due to the Landlords actions or inactions.

2.2 Option 3 (not recommended) – utilising existing Housing Association properties as Temporary Accommodation

- 2.2.1 Utilising housing Association stock as Temporary Accommodation would result in less availability for homeless households seeking permanent accommodation. Three-bedroom Housing Association stock for permanent accommodation is already limited so redesigning some of this stock for use as Temporary Accommodation would result in longer length of stays for families in Temporary Accommodation.

2.3 Option 4 (not recommended) – Continue with current arrangements

- 2.3.1 The Council could maintain its current approach to providing Temporary Accommodation to larger families through using private sector nightly let properties. Although the use of poor quality and expensive accommodation has been eliminated and no family has been accommodated in B&B for over 2 years the use of these nightly let properties means a significant financial loss through Housing Benefit collection and subsequent subsidy loss that we have an opportunity to reduce further through pursuing the recommended options.

3 Results of consultation undertaken

- 3.1 There has been no specific consultation in respect of this proposal. However general feedback from families who require Temporary Accommodation is that suitable quality and security of being able to use the accommodation for the period required is important. Through approving the recommendations, the Council improves its ability to deliver this at a reduced cost the local authority.

4 Timetable for implementing this decision

- 4.1 If approved the project team will begin to identifying properties as soon as possible. The service aims to purchase up to 25 properties within 18 months, depending on availability within the market. The intention is for a phased purchase to allow for a gradual build – up of properties undergoing refurbishment before being let to homeless households.

5 Comments from the Chief Operating Officer (Section 151 Officer) and the Director of Law and Governance

5.1 Financial Implications

5.1.1 Purchased properties – Recommendation One

- 5.1.2 The maximum amount that can be claimed for nightly let accommodation is £98 per week for any size of property whereas the City Council pays a higher level than this to landlords.
- 5.1.3 For example, a 3 bed nightly let property at £50 per night costs the Council £350 per week. In this example the Council will be required to fund £252 or 72% of the Housing Benefit in subsidy loss each week.
- 5.1.4 By replacing nightly rate TA with Council owned TA properties, the Council will reduce its annual spend on TA as all running costs will be met through HB subsidy except for the capital element of any loan repayment.
- 5.1.5 Although an ongoing revenue cost, the loan repayments clears debt and strengthen the Council's balance sheet over time.
- 5.1.6 The family TA model assumes the Council owned properties will achieve an average occupancy of 90%. This is, through experience, an achievable target as larger families tend to remain in TA for longer than smaller families. It does also allow adequate time for repairs, cleaning etc. when a tenant leaves the property. At this occupancy level, the projected savings per property are c£7k per annum.

- 5.1.7 To purchase 25 family properties, £6m of capital funding is required. The funding will cover legal fees, stamp duty land tax, purchase costs, surveys and remedial works.
- 5.1.8 The annual saving that is expected for the purchase of 25 properties is estimated to be £176k per annum. This is based on borrowing over 40 years, these savings are the net position after taking into account repayment of borrowing.

5.2 Nominations Agreement – Recommendation Two

- 5.2.1 Under the Nominations agreement the Council is expected to make a saving against nightly lets in two ways; increased subsidy and cheaper rents.
- 5.2.2 There is no additional funding required in respect of the recommendation to enter into Nomination agreements. Through entering into nomination agreements for 25 properties the City Council can expect to reduce expenditure by approximately £50k - £110k, the exact savings will depend on the rent discount achieved and the size of the properties secured through the nominations agreement.
- 5.2.3 The total anticipated savings associated with both recommended options is £226k – £286k per annum from an existing spend of £3.16m per annum.

5.3 Legal Implications

- 5.3.1 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.
- 5.3.2 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).
- 5.3.3 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.

The Council has a direction under section 74(3)(d) of the Local Government and Housing Act from the Secretary of State to own up to 200 properties which are to be used for the purposes of temporary accommodation only to house the homeless. As a result the Council are not required to have a Housing Revenue Account.

The Council will not be creating any securing tenancies when licencing the properties to accommodate the homeless families.

6 Other implications

6.1 How will this contribute to the achievement of the council's key objectives / corporate priorities (corporate plan / scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The provision of quality temporary accommodation for larger households meets a number of key council priorities.

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 properties are not available for purchase on the open market. A review of the market has been undertaken and there are sufficient appropriate properties available.
- 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.
- Risk that the required team structure costs are more than we can claim through HB – internal discussions in relation to team costs are being undertaken to ensure they fit within HB guidelines.
- Risk of upcoming legislative changes to EPC regulations, these changes require properties to meet minimum standards. Mitigation will involve careful consideration of properties before purchase and using capital to improve environmental efficiencies.
- Risk that the exemption regulations under section 74(3)(d) to own 200 properties could change and the Council would need to open a Housing Revenue Account (HRA). Mitigations considered that the asset could be sold or repurposed, however there is no indication of any upcoming changes or proposed changes to section 74(3)(d).
- Risk of legislative changes to licence agreements to occupy could create secure tenancies, this could create a right to buy. Mitigation considered that the asset could be sold or repurposed, however there is no indication of any upcoming changes or proposed changes to section 74(3)(d).

6.3 What is the impact on the organisation?

There will be some additional resources required to deliver and manage the properties, the cost of these staff will be met through income generated through the project.

6.4 Equalities / EIA?

No formal Equalities and Consultation Analysis has been carried out for this project. Households 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 on families.

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?

In line with the Council's environmental objectives, the service aims to improve the energy efficiency of each property during refurbishment works.

6.6 Implications for partner organisations?

None

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