

# Gloucester City Council

<b>Meeting:</b>	<b>Overview &amp; Scrutiny Committee</b>	<b>Date:</b>	<b>30 October 2023</b>
	<b>Cabinet</b>		<b>8 November 2023</b>
	<b>Council</b>		<b>16 November 2023</b>
<b>Subject:</b>	<b>Temporary Accommodation Acquisition Programme</b>		
<b>Report Of:</b>	<b>Cabinet Member for Planning and Housing Strategy and Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>Yes</b>	<b>Budget/Policy Framework:</b>	<b>Yes</b>
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<b>Appendices:</b>	<b>1. Housing, Homelessness and Rough Sleeping Strategy 2020-2025</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To set out a programme of capital investment to increase the Council's temporary accommodation portfolio to reduce the costs associated with using hotels and other buildings to provide temporary accommodation for households who present to the Council as homeless.

### 2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information in the report and make any recommendations to Cabinet.
- 2.2 Cabinet is asked to **RECOMMEND TO COUNCIL** that:
- (1) Delegated authority be provided to the Corporate Director in consultation with the Cabinet Member for Performance and Resources and the Director of One Legal to:
    - a) approves the establishment of a capital investment fund, funded from borrowing, to enable an acquisition programme for buildings or other structures for use as temporary accommodation for households who present as homeless to the Council.
    - b) explore options and appoint a provider, or other arrangement, to manage the temporary accommodation provided on behalf of the Council.
    - c) procure and appoint contractors and associated professional services to carry out any works required to bring the properties into use as units of temporary accommodation.

- (2) Acquisitions will be made in accordance with the principles of this report and the total costs will not exceed £5m.

### 2.3 Council is asked to **RESOLVE** that:

- (1) Delegated authority be provided to the Corporate Director in consultation with the Cabinet Member for Performance and Resources and the Director of One Legal to:
  - a) approves the establishment of a capital investment fund, funded from borrowing, to enable an acquisition programme for buildings or other structures for use as temporary accommodation for households who present as homeless to the Council.
  - b) explore options and appoint a provider, or other arrangement, to manage the temporary accommodation provided on behalf of the Council.
  - c) procure and appoint contractors and associated professional services to carry out any works required to bring the properties into use as units of temporary accommodation.
- (2) Acquisitions will be made in accordance with the principles of this report and the total costs will not exceed £5m.

## 3.0 Background and Key Issues

- 3.1 Where households are threatened with homelessness, or are made homeless, the Council has a range of statutory obligations to safeguard those households. One of these is that in certain circumstances the Council provides emergency temporary accommodation for households until they have either secured alternative accommodation, or until such time as the Council determines that its statutory duty to accommodate has ended.
- 3.2 The Council has seen a marked increase in the number of households being accommodated within temporary accommodation during the last 6 months. This is due to the challenges faced by households in accessing sustainable accommodation due primarily to the continued high demand for rented accommodation in Gloucester. This situation is not unique to this Council, with similar challenges being faced across England.
- 3.3 As is the case across the whole of the South West, households in Gloucester who are on low incomes and/ or in receipt of welfare benefits are often unable to afford market rent levels due to the difference between market rent levels and local housing allowance rates.
- 3.4 While local housing allowance rates are below market rent for all household sizes, the differential worsens as households size increases, and consequently larger families tend to stay in temporary accommodation for longer periods than smaller households.
- 3.5 It is anticipated that, due to the current social conditions, increases in homelessness applications and the need to place in temporary accommodation over the coming year will continue to rise. This will continue to place a significant burden on the Council's Temporary Accommodation budget, because housing allowance does not cover the full cost of providing temporary accommodation.

- 3.6 The scale of the current demand is such that the approach outlined in this report will not fully address the issue. This approach will reduce the expenditure on hotels and/or B&B, but will not address the demand, nor will it reduce the costs on more affordable accommodation which will continue to be used by the Council.
- 3.7 The Council's Housing, Homelessness and Rough Sleeping Strategy 2020-2025 (appendix 1), outlines our intent to reduce the use of B&B accommodation by identifying and delivering better quality temporary accommodation options. Whilst, in recent years, the Council has acquired new schemes, as well as working in partnership with other to access additional units, the current demand requires these acquisitions to increase.

### **Temporary accommodation in Gloucester**

- 3.8 The Council currently owns three properties that are used for temporary accommodation for households who present as homeless to the Council, however this provides accommodation for just over 11% of the current households accommodated in temporary accommodation.
- 3.9 Where the Council is unable to place people in Council-owned accommodation, the Council seeks to place people in temporary accommodation offered by registered housing providers (e.g. Gloucester City Homes). This accommodation includes associated support for households and is often the most appropriate accommodation available. However, where these placements are unavailable, the Council are often required to use hotel and/or bed and breakfast accommodation.
- 3.10 Where the Council use hotel and/or bed and breakfast accommodation, the associated costs are significantly higher than those associated with using Council or registered provider (RP) owned accommodation, and these costs fluctuate according to availability. For example, local or regional events which attract incoming visitors to the county often result in increased hotel costs as availability reduces. Hotel and bed and breakfast accommodation is often not the most appropriate option, especially for households with children, even though it meets the relevant statutory requirements for temporary accommodation.
- 3.11 The availability of temporary accommodation options may also result in the need to place households out of Gloucester on occasion, and due to the number of households being placed in temporary accommodation routinely, these instances are increasing in frequency. This is undesirable due to the potential costs of transporting children back to school, the breakdown of family support networks due to the distance, as well as increasing social isolation at a time when support is most needed.
- 3.12 The cost of temporary accommodation is offset by the housing benefit that is available to each household when they are placed in the accommodation. There is a shortfall between the weekly amount of housing benefit a household can claim compared with the cost of temporary accommodation, and this is particularly significant where households are placed in hotel and/or bed and breakfast accommodation. Crucially this cost must be met by the Council.
- 3.13 As of 17 October 2023, there are 182 households accommodated in temporary accommodation by the Council. This has risen by 12% in the last 12 months. There

are currently 38 households accommodated in hotel accommodation compared with 10 households at the same point last year.

- 3.14 In the 2023/24 Q1 Financial Monitoring Report, the forecasted overspend on temporary accommodation was in the region of £1.1m, highlighting the need to take action to reduce costs in year.
- 3.15 The reduction in the use of hotel and/or bed and breakfast accommodation is therefore important both to reduce expenditure but also to ensure that homeless households are placed in the most appropriate accommodation for their needs.
- 3.16 Properties for acquisition will be considered in all wards of the City and outside of the City, in surrounding Districts.

### **Aims of the acquisition programme**

- 3.17 The temporary accommodation acquisition programme aims to deliver the following:
- A reduction in temporary accommodation cost to the Council.
  - A reduction in the use of hotel and/or bed and breakfast accommodation.
  - An increase in the proportion of temporary accommodation placements where care and support are provided to households, which can help address some of the reasons for homelessness and secure an appropriate pathway to long term, settled accommodation.
- 3.18 Officers will be tasked to identify and acquire accommodation for use as Temporary Accommodation, and to make management arrangements for their operation. Potential acquisitions will be assessed based on their suitability for use as temporary accommodation weighed against cost/ benefit including:
- Temporary accommodation demand relative to household composition.
  - Accommodation quality (e.g. amenities, rooms sizes etc).
  - Accommodation location (e.g. proximity to local facilities, transport routes etc).
- 3.19 Acquisition costs will be funded through borrowing, and loan repayments and on-going accommodation management costs will be supported by housing benefit income.
- 3.20 Potential acquisitions will also be assessed on their financial viability to ensure that the full costs associated with acquisition and the estimated mobilisation costs represent a cost saving compared with the spot-booking of other temporary accommodation. This viability assessment will be undertaken by the Finance Team prior to any acquisition progressing.
- 3.21 The viability assessment will be based on the following:
- Cost of purchase of the property including associated costs and refurbishment costs to get the property ready for habitation.
  - Cost of management and support elements
  - Income from Housing Benefit and/ or service charges
  - Any borrowing charges
  - Ongoing repairs and maintenance costs
  - Balanced against the average costs of other available accommodation at the time of the assessment

3.22 The viability assessment will ensure that the Council is only purchasing accommodation when the need requires it to do so to meet the Council's financial needs and/ or the support needs of the homeless households.

#### **4.0 Social Value Considerations**

4.1 The delivery of additional units of temporary accommodation will improve the well-being of households who present as homeless to the Council through the increased delivery of accommodation that provides appropriate support.

4.2 Any procurement for support services will likely meet the criteria for the social value policy and so social value considerations will be part of the decision making when appointing a contractor.

#### **5.0 Environmental Implications**

5.1 Where possible, the Council will look to ensure that energy saving measures are incorporated into planning to minimise the council's carbon footprint.

#### **6.0 Alternative Options Considered**

6.1 The option to continue the current approach of spot booking temporary accommodation without acquiring new units of temporary accommodation is not recommended as it would impact detrimentally on the Council's temporary accommodation expenditure, and it would result in continued uncontrolled use of hotel and/or bed and breakfast accommodation that while lawful does not provide the most appropriate accommodation for homeless households.

6.2 Further options include the consideration of policy levers to place homeless households outside of the County for the majority of cases. Whilst this is a suitable option to consider for some households, it will not be for many, and may result in significant transport costs to ensure children can remain in school, for example.

#### **7.0 Reasons for Recommendations**

7.1 The continued reliance on hotel and/or bed and breakfast accommodation as temporary accommodation for homeless households results in uncontrolled expenditure risk for the Council and does not provide the most appropriate accommodation for those households.

7.2 The extension of the Council's temporary accommodation portfolio provides the Council with greater security in respect of future expenditure while providing more appropriate accommodation for homeless households.

#### **8.0 Future Work and Conclusions**

8.1 If the resolutions are approved, officers will identify potential opportunities and undertake financial viability assessments prior to progressing acquisitions.

8.2 Officers will also undertake the procurement of tenancy management contracts as necessary for acquisitions to ensure that tenancy management and support is

available to occupiers at the point that the Council commences use of the accommodation.

- 8.3 Particular attention will be given to the opportunity to access so-called 'exempt accommodation' rates for Housing Benefit which would provide an increased rental income for the accommodation which would reduce the likelihood of the Council needing to 'top up' the rent. Exempt accommodation rates are payable where the accommodation is managed by a registered provider and specified care and support is provided to occupiers.
- 8.4 The temporary accommodation acquisition programme will support a reduction in costs to the council by reducing the use of the costliest hotel accommodation. However, this will not address all of the issues and further activity will be required to reduce costs and prevent homelessness, as well as looking at areas across the range of council business.
- 8.5 Following some focused work by DLUHC in the City in September 2023 we will be working through an action plan of recommendations to improve the housing pathways for residents in a variety of ways.
- 8.6 Discussions have taken place with the Gloucester MP who will be taking up issues raised by the City Council with Ministers in Central Government.

## **9.0 Financial Implications**

- 9.1 The financial viability of each acquisition will be considered on a case by case basis to ensure that all relevant costs associated with the acquisition and its future operation have been identified and addressed to ensure that the acquisition represents a budgetary saving compared with the existing practice of utilising a range of accommodation options including purchasing hotels and/ or bed and breakfast accommodation on an ad hoc basis.

(Financial Services have been consulted in the preparation this report.)

## **10.0 Legal Implications**

- 10.1 Specialist tax advice may need to be obtained in respect of SDLT liability. Such figures will vary according to the price paid for the property. SDLT payable may also be subject to change if there is a budget prior to the completion of a purchase.
- 10.2 A purchase will be under the powers contained in the Housing Act 1985; any future sale or lease (excluding to owner/occupiers) of the property will have to comply with the restrictions contained in that Act. It will not be possible to dispose of the property (including by a lease for a term of 21 years or more) without first obtaining the consent of the Secretary of State. This may prevent the Council from being able to grant a long lease of the premises to a management company and other options should therefore be considered.
- 10.3 The Council will need to ensure that persons in occupation following an acquisition do so under agreements which are not secure tenancies. This includes any occupiers who remain in occupation at the point that the property transfers to the Council.

- 10.4 A Council must have a Housing Revenue Account if it owns 200 or more social dwellings, and this should be borne in mind and appropriate measures taken when purchasing additional dwellings.
- 10.5 The Council will need to comply with its contract rules and the Public Contracts Regulations 2015 when procuring contractors to provide tenancy management services and undertake works to the purchased properties.

(One Legal have been consulted in the preparation this report.)

## **11.0 Risk & Opportunity Management Implications**

- 11.1 Potential acquisitions will be subject to a rigorous selection process to ensure that the resultant temporary accommodation will be suitable and appropriate for the purpose and will provide accommodation that can best meet the needs of the client group.
- 11.2 The financial risk associated with any acquisition will be mitigated through the financial viability assessment that will consider all relevant costs associated with the acquisition and its future operation to ensure that the acquisition represents a budgetary saving compared with existing practice utilising a range of accommodation options including hotels and bed and breakfast accommodation.
- 11.3 The property-based risks associated with acquisitions will be mitigated through the completion of a range of surveys and valuations to identify both short-term and long-term costs.
- 11.4 If the acquired accommodation is deemed to be no longer needed to meet this temporary accommodation demand, the Council may dispose of the property to reduce its overall borrowing position.
- 11.5 The delegated authority set out in this report aims to position the Council in the best position to take prompt action to secure acquisitions in the context of a fast-moving property market. There are a range of investor-landlords seeking to purchase property in Gloucester and it will be important for the Council to be able to make time critical decisions to secure acquisitions.
- 11.6 If the Council is unable to secure acquisitions that meet the requirements of this report, there is a risk that future temporary accommodation costs may rise to meet increased demand for temporary accommodation.

## **12.0 People Impact Assessment (PIA) and Safeguarding:**

- 12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact; therefore, a full PIA was not required.
- 12.2 The PIA Screening Stage considered the potential impact on homeless households who are required to be accommodated in temporary accommodation and how that may change if the recommendations contained within this report are implemented.

12.3 It is likely that the majority of the schemes identified for acquisition focus on the single and couples homelessness need. Where families with children require placement in temporary accommodation we will look to secure self contained units where possible.

### **13.0 Community Safety Implications**

13.1 None

### **14.0 Staffing & Trade Union Implications**

14.1 None

**Background Documents: Appendix 1- [city\\_1294-housing-and-homelessness-strategy\\_adopted-version.pdf \(gloucester.gov.uk\)](https://www.gloucester.gov.uk/city-1294-housing-and-homelessness-strategy-adopted-version.pdf)**