

# Accelerated Temporary Accommodation Programme

Overview and Scrutiny Panel 10th December 2024

<b>By</b>	Ashley Jackson (Head of Housing and Planning)
<b>Cabinet Portfolio Member</b>	Cllr Helen Whitehead, Deputy Leader and Portfolio Holder for Housing
<b>Key Decision</b>	Yes
<b>Decision classification</b>	Unrestricted
<b>Call in status</b>	Yes
<b>Ward:</b>	All Wards

## Purpose of the Report

Overview and Scrutiny are asked to note the Council's position and legal duties in respect of providing temporary accommodation and the strategic need for change in the current profile of provision.

It presents recommendations to increase our provision of council-owned temporary accommodation, thus reducing the amount spent by the authority on temporary accommodation.

## Recommendation(s):

Overview and Scrutiny are asked to:

1. Consider and comment on the contents of the report and the recommendations to Cabinet.

The recommendations to Cabinet are that:

1. The council progresses with a programme to acquire or develop up to 170 homes for use as temporary accommodation.
2. Cabinet recommend the required general fund capital budget of £38.762m as part of the annual budget setting process across the financial years 2025/26 and 2026/27.
3. A six monthly update on the delivery of the programme is provided to Cabinet.
4. The letting of these homes will be in accordance with the Council's Temporary Accommodation Policy, approved by Cabinet in July 2024.

## 1. Summary of Reasons

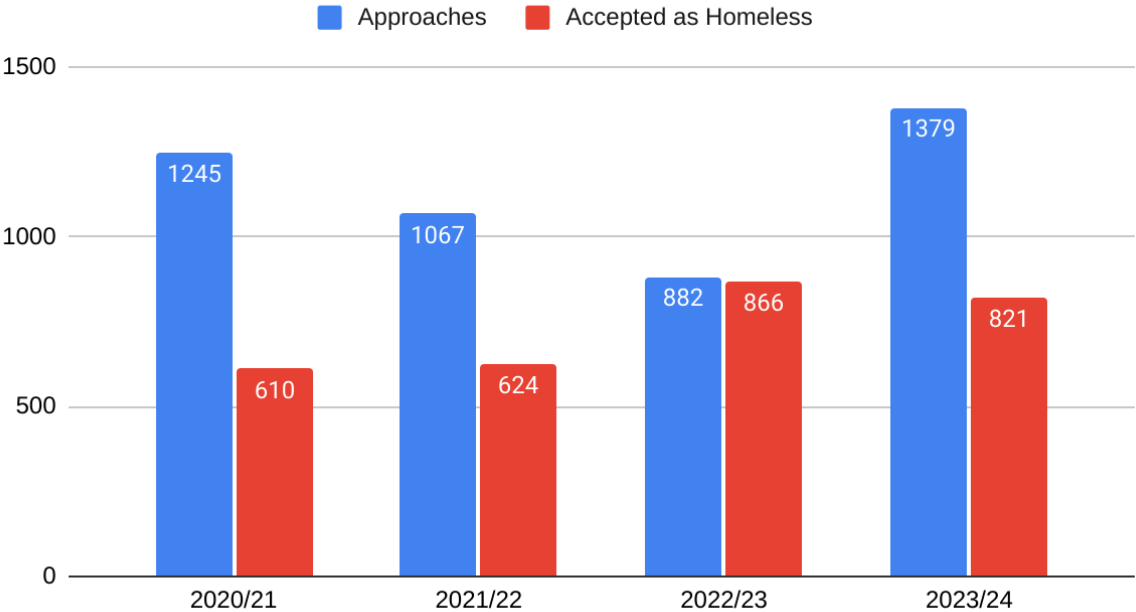
- 1.1 To purchase up to 170 new homes for use as Temporary Accommodation.

## 2. Background

2.1 Thanet District Council has a duty to provide temporary accommodation to people who are eligible for assistance, homeless and in priority need. The demand for temporary accommodation has increased consistently since 2012 and this is replicated on a national level. For the foreseeable future, even with a strong focus on preventative activity, the Council will have a statutory obligation to provide between 280 and 320 units of accommodation that are currently secured on a nightly basis from the private sector.

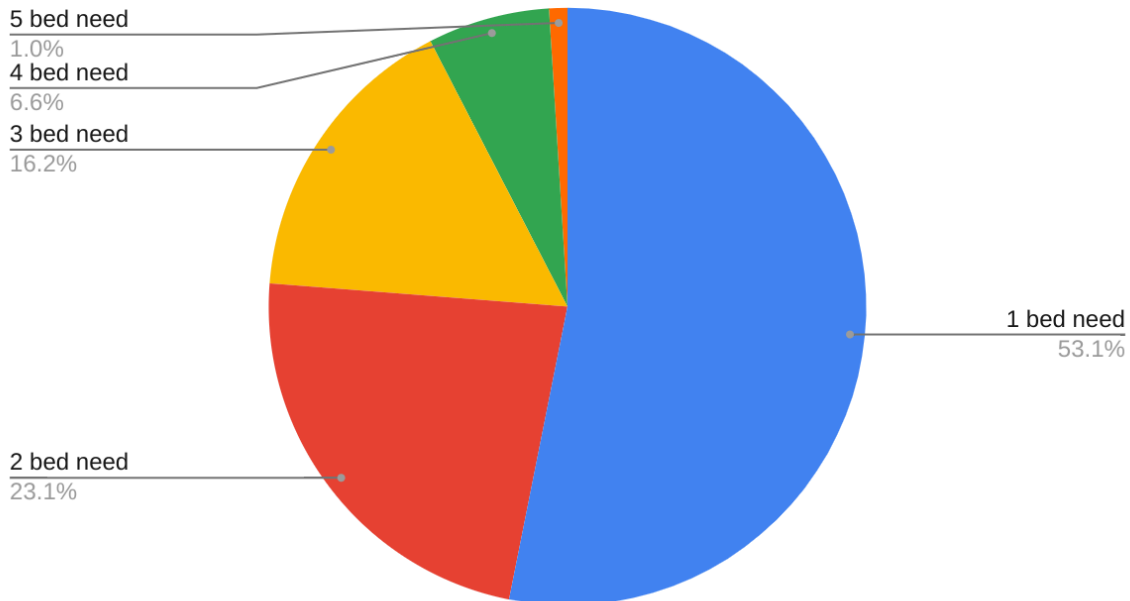
This chart shows that there has been a 30% increase in the number of households accepted as homeless by TDC since 2020.

Number of approaches and numbers accepted as Homeless



2.2 We are currently accommodating 303 households in temporary accommodation, just under 170 of those are in other parts of Kent, outside of Thanet. The chart below gives a breakdown of the requirements of those households currently in TA.

## Households in TA



2.3 Temporary accommodation that is located outside of a person's local area can be unsuitable for multiple reasons:

- **Disruption to Support Networks:** People often have established support networks in their local area, such as family, friends, healthcare providers, or community services. Being relocated to a distant area can sever these connections and make it harder for individuals or families to access the help they need.
- **Access to Employment or Education:** Moving to temporary accommodation far from one's usual residence can cause significant challenges in maintaining a job, attending school, or participating in training programs. Commuting long distances may be impractical or unaffordable.
- **Financial Burden:** Relocation to a far-off area may result in increased travel expenses, which can be a burden, particularly for those already experiencing financial difficulties.
- **Lack of Familiarity with the Area:** People may not be familiar with the new area, which could mean they are unfamiliar with available services, community resources, or even basic amenities like shops and public transport routes.
- **Increased Stress:** The uncertainty of being placed far from home, particularly when in a vulnerable situation like homelessness or displacement, can lead to additional stress and anxiety for individuals or families.
- **Impact on Children:** For families with children, being placed in accommodation outside of their local area may disrupt schooling, social connections, and extracurricular activities, all of which can have a negative effect on the child's well-being and stability.

- **Distance from Healthcare:** Access to healthcare can be hindered if the temporary accommodation is located far from hospitals, or GP surgeries. This can be particularly problematic for individuals with ongoing health conditions.
- **Housing and Safety Issues:** Sometimes, the temporary accommodation provided outside of the local area might be of lower quality, or in less safe neighbourhoods, which could further exacerbate the individual's or family's vulnerable situation.

2.4 The council has not yet identified or approved the specific homes and projects for this programme, although officers do have a number of potential options to investigate. Once the programme and funding are approved, detailed work on individual projects and acquisitions will be progressed.

2.5 Unlike the council's stock of permanent homes, which is funded within the ring-fenced Housing Revenue Account, temporary accommodation is a statutory general fund service and all costs, both revenue and capital, and all rental income fall to the council's general fund.

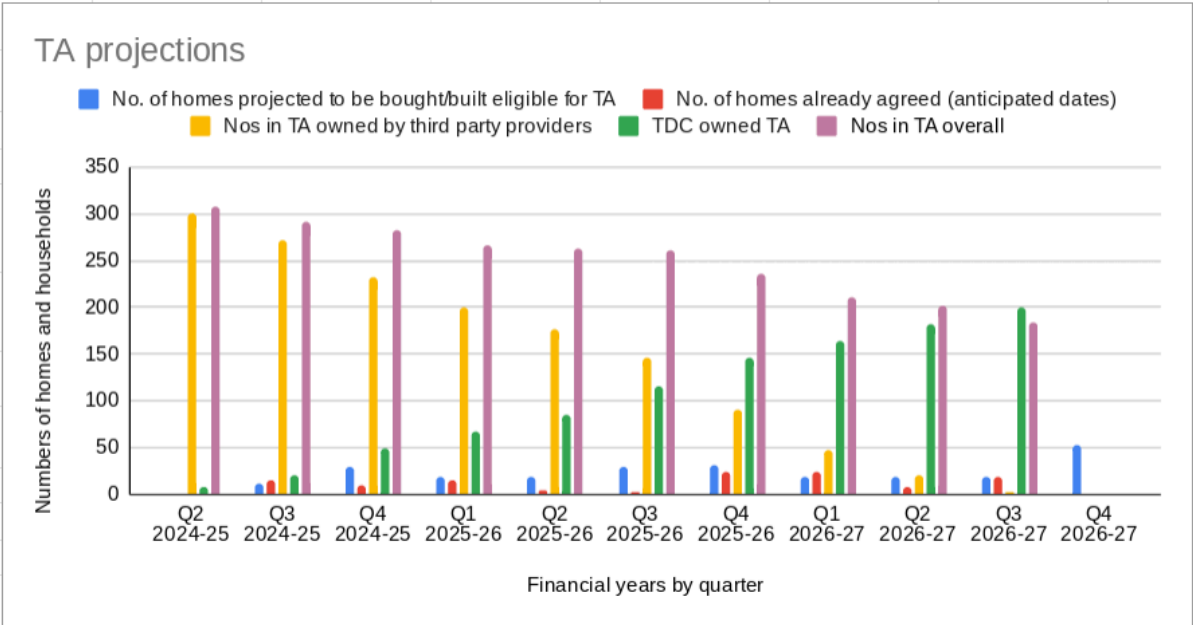
2.6 The Council is proposing to employ 4 additional members of staff to manage these additional units of temporary accommodation. These officers will be allocated as follows - 3 temporary accommodation property officers, whose role it will be to manage the residents and offer direct support to the residents. These officers will check on the wellbeing of those placed in the homes, assist tenants in completing forms for housing benefit or the applications for the housing register etc. and can also signpost with other organisations providing specialist advice if wider or more specialist support to assist vulnerabilities is required. The fourth officer will sit within the Tenant and Leasehold Team to support general housing management and maintenance activities. The cost of these roles are factored into the viability assessments for the programme.

### 3. Relevant Issues

3.1 The rapid increase in people presenting as homeless and in need of TA has played a substantial part on the increasing pressure on local authorities. Nationally there are now 117,450 households in TA, including 145,800 children. This is a 12% increase from the same period last year. The Council's budget for TA in 24/25 is £1,005,860 offset by a budgeted income of £350,000 from Housing Benefit and rent. These budgets have been significantly exceeded, due to the demand for TA and the net overspend across all Housing Options budgets in 2023/24 was £1.3m and this is forecast to be £800k in 2024/25.

3.2 Members will recall from recent HRA programme reports, that officers have developed a viability assessment tool to assess the viability of individual schemes. This tool is used to inform a 'go/no-go' decision for individual proposals as it is important that each scheme is considered on its own merits.

- 3.3 To be viable, temporary accommodation schemes need to show a saving almost immediately to prevent an impact on the Council’s general fund budget position.
- 3.4 It is important to note that the Council is responsible for the households and the accommodation that they are being placed in on a temporary basis. It is not always possible to control and visit those homes which are out of the area. If they are in Thanet and within our ownership we will be able to closely monitor these units and their suitability.
- 3.5 The table below illustrates the positive impact of the Council’s affordable homes accelerated delivery programme and, subject to agreement, the TA acquisitions programme. With the current number of households in TA currently at 303 (indicated by the purple bar on the chart) and with the number of ‘units’ available to the Council at Foy House currently 8, this means that 300 households are in accommodation owned by third-party providers. This is shown by the yellow bar on the chart. The green bar on the chart indicates the number of homes (currently, just Foy House) in Thanet District Council’s ownership.



- 3.6 The future requirement for TA is difficult to accurately project, as there are many variables, including the number of households applying and the time it takes the council to support them into a new permanent home. However, over recent months the number of households in TA has been relatively stable at around 300. Within our Accelerated Development Programme of at least 400 permanent HRA homes by 2027, we have committed to allocating 50% to households in TA. This chart takes this extra supply into account and projects an overall reduction in the need for TA as a result of the additional supply. In 2026/27 we are still projecting a need for around 200 TA homes, but this programme will ensure that most of these are owned and managed by the council. Throughout this project we will continue to assess the overall need for TA and flex the programme accordingly.

- 3.7 The financial implications of the proposed programme are set out in section 7.1 below. To ensure that this programme is financially viable, and lower cost than the council's current TA arrangements residents will be charged a social rent and a service charge. These costs are set out in 7.1.11 and will be covered by Housing Benefits for eligible households. The Homelessness Reduction Act 2017 requires the council to complete a suitability assessment for all TA placements, including its affordability. For households that do not qualify for Housing Benefit, alternative TA arrangements would be needed, as the proposed charges would be unaffordable for these households.

## **4. Alternative Options**

- 4.1 The Council could choose not to purchase the homes. However, this would represent a missed opportunity at a time when the Council has circa 300 households in temporary accommodation.
- 4.2 Additionally, not taking these homes would mean that the Council is at financial risk from paying out for nightly-paid accommodation providers. These costs are only expected to increase.

## **5. Consultation**

- 5.1 There is no public law or statutory duty to consult in relation to the decision sought in this report.

## **6. Corporate Implications**

### **6.1 Finance and Resources**

- 6.1.1 The Council incurred an overspend against the general fund revenue budget of £1.3m in 2023/24 and is forecast to see an overspend of at least £800k in 2024/25.
- 6.1.2 The financial pressure of temporary accommodation is a national one, but without intervention, the Council is unable to contain its future costs as it is reliant, in the main, on one temporary accommodation provider. The Council is therefore exposed to the risk of rising costs outside of its control.
- 6.1.3 In response to this, the Council recently procured CIPFA to provide advice on several areas specifically relating to temporary accommodation. The Council received advice on Housing Benefit, the level of rent and service charges that could be levied to tenants in our own stock and the existing temporary accommodation finance model.
- 6.1.4 Current Housing Benefit legislation allows the Council to claim Housing Benefit at 90% of 2011 LHA rates when using third party temporary accommodation providers. The advice provided by CIPFA confirms that we can reclaim full subsidy based on amounts charged for rent and eligible service charges by Housing Benefit as long as these are deemed to be at a reasonable level where we are the property owner.

- 6.1.5 Following advice received by the Council from CIPFA and our HRA business plan advisors, the Council must introduce a rental model that as a registered provider aligns with the Regulator of Social Housing’s Rent Standard. This rent standard sets the levels at which authorities can charge rent on their social stock and typically allows the council to set a rent either at a social rent or affordable rent.
- 6.1.6 Both rental models have been considered as part of a full review and assessment of affordability of acquiring our own TA stock. Affordable rents allow the Council to charge a higher rent, but do not allow the Council to then charge service charges for core basic services. As these core costs are likely to change and can only reasonably be predicted through initial modelling, charging affordable rent has been discounted in favour of charging a social rent plus a service charge. Levying a service charge in itself protects the Council from the risk of significant change in future costs, as these costs would be passed on to the service users via a service charge rather than having an on-going impact to local Council tax payers.
- 6.1.7 The social rent and service charges proposed would be fully covered by housing benefit based on the advice received.
- 6.1.8 CIPFA also provided extensive feedback on the Council’s current temporary accommodation financial model; this has seen the Council redesign this model, taking into account a social rent and service charge model.

From a financial perspective the main advantages of the Council acquiring its own accommodation are:

- An immediate reduction in costs
- Protection from future inflationary pressures via the service charge model
- A reduction in future temporary accommodation costs
- Less reliance on a third party provider and their associated charges
- Keeping people in the district alongside the staffing resource created, should mean those in temporary accommodation are moved on sooner and/or having HB claims submitted sooner

- 6.1.9 The Council initially utilised the revised model to reassess the temporary housing sites the Council has committed to bringing forward, these sites are Foy House, Newington Road, Truro Road and Vistry sites, totalling 32 units.
- 6.1.10 The remodelling of these sites utilising the new model would result in further savings of £206k over that previously modelled. This being an increased saving between what the Council currently pays for accommodation through its third party provider, offset by HB and the net costs of providing its own in house accommodation, via the social rent and service charge model.
- 6.1.11 The proposed rent and eligible HB service charge per week across these four sites average as follows:

<b>Bedrooms</b>	<b>Rent</b>	<b>Service Charge</b>
1	£89.94	£115.84

2	£100.52	£139.83
3	£119.53	£159.57

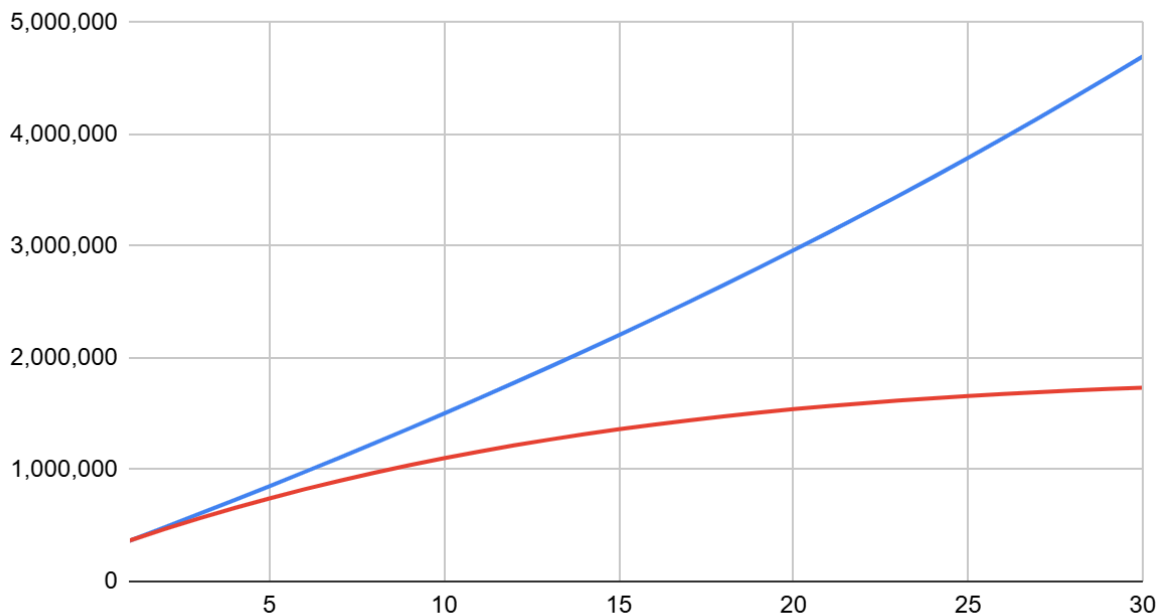
6.1.12 The new model was then utilised and scaled up for the potential 170 units to be acquired for temporary accommodation, based on 70 x 1 bed, 50 x 2 bed and 50 x 3 bed units. Based on approximate acquisition values, £36.45m is required plus £1.812m stamp duty and £0.5m of legal and staffing costs equating to a total cost of £38.762m split equally over the financial years of 2025/26 and 2026/27.

6.1.13 Based on the new model the potential annual savings, compared to current activity, achieved as a result of this level of acquisition are:

Year 1	Year 2	Year 3	Year 4	Year 10
(365,960)	(485,320)	(605,540)	(728,430)	(1,502,950)

The below chart shows the programme over 30 years, on both a non-discounted basis (blue) and a present value basis (red):

### Net saving against current cost



6.1.13 The present value calculation is discounted at a rate of 3.5% in line with the treasury's green book. Present value is used to allow comparison of future values, in terms of their value in the present, which is always assumed to be the base year of the proposal.

6.1.14 As demonstrated above, future year savings are higher as a result of reducing borrowing costs, an increase in rental income in line with CPI+1%, as per the rent standard and a reduction in third party costs.



However there are key risks to the delivery of the programme and the modelling:

- Interest rates associated with borrowing
- Capital acquisition values
- Future inflation rates

6.1.15 In order to mitigate these risks it's important to undertake financial modelling on every site being brought forward so that accurate acquisition values, current interest rates and inflation forecasts can be reflected in the viability assessment of sites.

6.1.16 The current modelling is based on 70 x 1 bed, 50 x 2 bed and 50 x 3 bed units. It's essential to model each individual site, as the number of each unit size may change depending upon site availability and need at the time of acquisition.

6.1.17 In addition site specifics can be reflected in the modelling, such as if there are communal areas or unique property factors that affect operational revenue costs.

6.1.18 The Section 151 and Director of Place will approve the viability of each site being brought forward after the revised viability modelling has been completed. Where individual projects are above the threshold for key decisions (£750,000) they will be referred to Cabinet for decision.

6.1.19 In summary the proposal should lead to a reduction in temporary accommodation costs, whilst achieving wider social objectives as laid out in the report, but modelling of each individual site is important to derisk the whole programme.

## **6.2 Legal and Constitutional**

6.2.1 In accordance with the provisions set out in Article 6 of the Council's constitution the Overview and Scrutiny Panel may make reports or recommendations to Cabinet in respect of the discharge of any function. Cabinet must then consider and respond to any recommendations made.

6.2.2 The Council has authority pursuant to Section 120 of the Local Government Act 1972 to acquire by agreement for the purposes of any of its functions under the 1972 Act or any other enactment of any land, whether situated inside or outside its area. The properties will be acquired for housing purposes. A local authority may also purchase properties for housing the homeless under section 17 Housing Act 1985. Property acquisitions by the Council must comply with its Property Procedure Rules.

6.2.3 The Council has a Best Value Duty under the Local Government legislation to ensure that it pays no more than market value for the acquisition of any properties. Consideration should be given to the appointment of a professionally qualified Valuer to provide advice about the market value and negotiate purchase price to ensure that the purchase is within the market value.

6.2.4 Further in house legal advice and support should be sought once properties are identified for purchase. To note that reports will be brought back to Cabinet for decision in relation to the purchase of properties where a key decision is required.

## **6.3 Council Policies and Priorities**

6.3.1 This report relates to the following corporate priorities: -

- To deliver the housing we need

## **6.4 Risk**

7.4.1 Any acquisition or development activity has inherent risks. Officers work hard to identify and manage risk at each stage of projects and a monthly steering group that looks at the Council's housing programme highlights these risks. Officers horizon scan in the light of political, economic, social, technological, legislative and environmental factors. The acquisition project will have a risk register that is reviewed throughout the lifecycle of the project by the Housing Strategy & Projects Team. Risks around acquisition activity are sought to be mitigated through regular review and the appointment of professional expertise to provide legal due diligence, and accredited valuation advice to ensure value for money, in terms of the cost of the project.

7.4.2 One of the key risks is a financial risk, in that the operational costs of the assets become a burden to the Council in the longer term, should assumptions around running costs have been incorrect or the number of residents requiring temporary accommodation reduce. The exit strategy in these circumstances includes the following options:

- a) The assets are transferred to HRA stock depending upon a financial assessment at the point of transfer.
- b) The assets are sold on the open market.
- c) The assets are transferred to a Council owned Housing Company to operate at submarket or market rent subject to such a company being created and the relevant financial assessment taking place.

7.4.3 Should TA numbers reduce during the timeframe of the TA acquisitions programme then the programme would be flexed to purchase less than the 170 units modelled.

## **6.5 Climate Change and Biodiversity**

6.5.1 The developer is aiming for the new homes to be designed to a strong EPC B standard for energy efficiency, helping to reduce the cost of hot water and space heating for residents and reducing carbon emissions from domestic heating.

## **7. Equality, Equity and Diversity Implications**

7.1 Cllrs are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

7.2 Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty

applies to Marriage & civil partnership.

7.3 This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

7.4 An Equalities Impact Assessment has been completed in respect of this proposal. The new homes will be let in line with the council's allocations policy, which has had an Equalities Impact assessment completed, attached to this report at **Annex 1**.

## **8. Crime and Disorder Implications and Community impact**

8.1 The housing department does handle issues relating to Anti-Social behaviour. Despite often being described as 'low-level crime', existing evidence suggests it can result in a range of negative emotional, behavioural, social, health and financial impacts. People's understanding of what constitutes anti-social behaviour can be very different and can affect people in very different ways. For some people it means living next door to nuisance neighbours, for other people it's about litter and dog fouling or graffiti on the street. Often it can include people acting in an aggressive, intimidating or destructive manner.

8.2 The Community Safety department and the Tenant and Leasehold team have policies and procedures to deal with issues which arise due to ASB. As previously stated these homes will be managed carefully in order to ensure a community feel is created and that the area is a nice place to live.

## **9. Subject History**

9.1 The proposal to acquire properties for Temporary Accommodation has been considered previously. The purchase of Truro Road was considered by Cabinet on 14th March 2024, and 11 homes at Westwood Point, considered at the Overview and Scrutiny Panel on 17 September 2024 and at the Cabinet on 26 September 2024.

## **Appendices**

1. Completed Equalities Impact Assessment

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### **Report Sign Off**

**Legal** Ingrid Brown- Head of Legal and Democracy and Monitoring Officer

**Finance** Chris Blundell (Director of Corporate Services - Section 151)