

REPORT OF Customer Support Manager
To: Community & Resources
Subject Homelessness (Temporary Accommodation)
Date: 04 February 2019 **Reference:**

Confidential or Exempt Information - Not for Publication by virtue of Paragraph of Part 1 and Paragraph of Part 2 of Schedule 12A of the Local Government Act 1972.

PURPOSE OF REPORT: To identify long term cost effective solutions that help to mitigate the cost of temporary accommodation (Homelessness)

1. INTRODUCTION

The Council has a statutory duty to assist those customers who present as homeless or are threatened with homelessness, this can lead to the requirement to provide them with temporary accommodation.

To meet the needs of the service the Council has historically used a number of options to provide temporary accommodations this includes:

- Provision of two hostels (Bideford & Torrington) with a total of 11 rooms.
- Use of B&B accommodation from a range of suppliers.
- Private Sector Lease (PSL) where the Council has leased properties from the private sector.

In April 2018 new legislation was introduced in the form of the Homeless Reduction Act 2017 which now requires Councils to assist those customers who are homeless or threatened with homelessness for up to 56 days when previously it was 28 days. This change combined with the ongoing impact of welfare reform and a lack of affordable* rental properties within the private sector and the general deprivation experienced across Torridge has placed significant resource and financial pressure on the Council. Torridge was ranked as the 67 most deprived area in 2015 out of 326 local authorities.

*affordable – within the Local Housing Allowance rate.

LHA rates are set by the Department for Work and Pensions (DWP) and cover geographical areas, Torridge falls within `North Devon`. There has been no increase in these rates since 2015. The following screen shot show the existing rates for North Devon, Exeter and North Cornwall. The Exeter rates are on average 20% higher than the North Devon rate as this is supposed to reflect the higher rental cost of property in Exeter.



HB2840 - LHA Monthly Amount - Wed 23.01.2019 - Wed 23.01.2019

File Help

Effective Date: 01.04.2018 From: 01.04.2018 To: Filter: Inside LA Area

Localities	00009 North Devon	00012 Okehampton Launceston	00112 Exeter	00163 North Cornwall Devon Borders
Shared Bedrooms LHA	63.25		74.34	66.70
1 Bedroom LHA	92.05		116.52	93.23
2 Bedrooms LHA	115.07		141.24	120.06
3 Bedrooms LHA	138.08		164.79	139.84
4 Bedrooms LHA	168.46		218.63	168.00
5 Bedrooms LHA	168.46		218.63	168.00
Non HRA Subsidy Cap Limit				

Save Split < Prev Next > Quit Capped Rates

The following table shows the average monthly cost of private rented accommodation within Bideford compared to the LHA rate.

No. Bedrooms	Monthly Rental Cost (£)	Monthly LHA rate (£)	Cost differential (shortfall) per month (£)
1	450	399	51
2	590	498	92
3	730	598	132
4	830	729	101
5	1400*	729	671

*Only one 5 bedroom property was listed within Bideford as of 23 Jan 2019

2. REPORT

Demand to place customers in temporary accommodation (TA) has been increasing since 2016 but the greatest demand has been this financial year to date as shown in the following table. This has necessitated the greater use of B&B accommodation which is also subject to seasonal demand and cost variations all of which have culminated in significant additional costs to the Council.

	No of households placed in TA		Total no of days in TA
2016/2017	62		4,561
	Singles	Couples/Families	
	25	37	
2017/2018	92		6,893*
	Singles	Couples/Families	
	47	45	
2018/2019 Partial Year Apr - Oct	96		3,750
	Singles	Couples/Families	
	54	42	
2018/2019 (Full year projection)	165		6,428
	Singles	Couples/Families	
	86	79	



The 2017/18 the total days spiked as result of having an extremely large family in TA.

In an attempt to mitigate the increasing costs of meeting the Councils statutory responsibilities officers continue to explore alternative, sustainable and cost effective long term options for the delivery of temporary accommodation. The following table details the options considered along with the associated costs, benefits and risks.

	Cost	Benefits	Risk
Existing (B&B, Hostel & PSL) 2018/19	<p>B&B Average cost of B&B per week is £404 (we can only claim £92.05 per week)</p> <p>2018/19 forecast based on number of nights required</p> <p>6428 nights @ £57.65 = £370,574 Claimed = £84,528.</p> <p>Net cost = £286,046</p> <p>PSL's Average cost (each) of 5 PSL's per month £604 + maintenance of £161 per month</p> <p>Average monthly rental income of £536 per property.</p> <p>Annual cost £36,240 Rental income £32,169</p> <p>Net cost £4,071</p> <p style="text-align: center;">LHA</p> <p>1 bed £435 (£399) 2 bed £579 (£498) 3 bed £721 (£598)</p> <p>Hostels Average annual operating costs of both hostels (11 rooms) £100,812 + maintenance of £15,356</p> <p>Average income of £154,679</p>	<p>B&B is flexible.</p> <p>No capital or revenue (maintenance) expenditure on leased/owned properties.</p>	<p>Limited B&B market that will accept our customers coupled with seasonal demand and price variations.</p> <p>Existing Hostel provision has shared facilities which require refurbishment and are far from suitable for families with children.</p>



	Net cost £38,511 (surplus)		
Modular Accommodation	<p>Based on a mix of 5 units.</p> <p>Purchase cost £108,308 Site prep £10,000 Connection to utilities £25,000</p> <p>Annual operating costs £22,265 Depreciation £14,330 (10 years)</p> <p>Rental income £27,040</p> <p>Net cost (operating) £9,555</p>	<p>Cost effective.</p> <p>Easy to manage.</p> <p>Fit for purpose.</p> <p>Robust.</p> <p>Low maintenance cost.</p> <p>Flexible.</p> <p>Easily re-locatable</p>	<p>The identification of a site(s) that is deliverable from an operational and political perspective.</p> <p>The potential to create anti social behaviour or other neighbourhood issues via the concentration of units.</p>
Property purchase	<p>Based on a mix of 5 properties.</p> <p>Purchase £771,569 + Annual Interest on borrowings £23,147 + MRP £30,862 +</p> <p>Annual maintenance £38,578 (5% of purchase cost)</p> <p>Annual rental £27,040</p> <p>Net cost (operating) £65,547</p>	<p>Easy to manage.</p> <p>Flexible.</p> <p>Long term asset</p>	<p>Need to borrow money to purchase (long term revenue cost)</p> <p>Maintenance & management costs</p>
Build/ provide additional hostels bed space.(conversion of Bridge Buildings)	<p>Member have previously been provided with costs to convert Bridge buildings to residential apartments (Full Council May 2018)</p> <p>The requirements for a hostel are different to residential self contained apartments and for the purpose of this high level options report we estimate a 50% saving on those original costs meaning a conversion to a hostel will be circa £400,000 (min of 12 bed spaces)</p> <p>Operating expenditure and</p>	<p>We already own the building.</p> <p>Demand for bed space.</p>	<p>Conversion costs.</p> <p>On going maintenance (listed building)</p> <p>Will need to be carefully managed given prominent position within town.</p> <p>Unable to utilise ground floor (flood risk)</p>



	<p>income generated are subject to the number of rooms/bed spaces achieved but estimated at.</p> <p>Annual operating cost £151,937</p> <p>Annual income £154,679</p> <p>Net cost £2,742 (surplus)</p>		
Lease additional properties (PSL's)	<p>Based on 5 additional properties.</p> <p>Average monthly rental cost (each) £788 + maintenance of £98</p> <p>Average month rental income of £550 per property.</p> <p>Annual cost £47,280</p> <p>Annual rental £33,000</p> <p>Net cost £14,280</p>	<p>Flexible</p> <p>Fixed cost</p> <p>Guaranteed income for landlord.</p>	<p>Strong rental market meaning the Council may have to subsidise rents eg difference between what can be claimed and the month rental cost.</p> <p>Not all landlords will allow/want their property to be used by Homeless persons.</p> <p>Council is liable for damage and maintenance of property.</p>
Reduce Homelessness	<p>Employ additional officer(s) with a focus on prevention.</p> <p>Assumption that a post would paid at scale E9 £25,239 this equates to 567 nights of B&B accommodation</p>	<p>Preventing homelessness is a much better use of resource and reduces the impact on the individuals concerned and the Council.</p>	<p>It is not possible to prevent all homelessness.</p>



3. Summary of options outlined above

3.1 It is important to understand how the increased homelessness demand impacts upon the Council's finances. The cost of B&B placements varies depending upon seasonal factors but averages out approximately at £404 per week; the Council can only recover £92.05 per week from Housing Benefit subsidy (£44.56 per night). The current average for length of stays in B&B accommodation is 32.43 days.

The table below summarises the options above and incorporates the projected saving that would accrue by reducing the volume of B&B placements. It calculates the B&B placement which would be prevented and thus costs saved for the Council for each property based option detailed earlier in the report.

Average Length of Stay Days (LoS) in B&B		32.43	A			
Average cost to the Council for one night's B&B		£44.56	B			
	C	D	E	F = 365 / E x C	G = A x B x F	H = G + D
Housing Options	Number of Units	Net Operating Costs	Estimated Length of Stay in Days	Number of Placements per year	B&B Saving	Net (Saving) / Cost
Modular Accomadation	12	£22,932.00	90	49	(£70,334.03)	(£47,402.03)
Hostel - Bridge Buildings	12	(£2,742.00)	61	72	(£103,771.52)	(£106,513.52)
Investment in Homelessness Prevention						
Additional - PSL Properties	5	£14,280.00	180	10	(£14,652.92)	(£372.92)
Purchase of Properties	5	£65,547.00	180	10	(£14,652.92)	£50,894.08

The net operating costs include all premises related costs such as loan and interest payments, utilities, maintenance costs and an allowance for officer support (Caretaker, Estates Management etc). As the table above shows the Hostel option provides the greatest financial benefit to the Council and potentially diverts circa 2,300 nights of B&B accommodation. The Council is currently purchasing approximately 6,428 nights B&B accommodation per annum.

Whilst Bridge Buildings has the added advantage that it is already in the Council's ownership the table above does not reflect "the opportunity cost" of utilising the building in this way i.e. it is an asset and Members have a variety of alternate aspirations for the property and the capital receipt it could generate if it were sold. Therefore in true comparative analysis there would be reflected a cost despite it being in TDCs ownership.

The Property and Procurement Manager is also currently searching for alternative property that might be more easily converted into a hostel.

With respect to the employment of a dedicated officer focussed on prevention, circa 17 placements within B&B accommodation would have to be diverted to recover the cost of the officer; assuming the current average length of stay in B&B (32.43 days) and nightly cost to Torridge Council of £44.56.

Due to pressures within the Housing Options Team a three month temporary contractor has been engaged since 26 November 2018 to focus purely on preventing homelessness and is being used to triage those customers presenting themselves to the



Council. Two months into the contractor's three month engagement with the Council 18 clients have been prevented from going into temporary accommodation. Extrapolating for a full year this would equate to a Gross saving of £156,068, after taking into account the cost of employing a Prevention Officer at £25,239 per annum, giving a net saving of £130,829.

4. IMPLICATIONS

Legal Implications

The Council has a statutory duty to provide homelessness services.

Financial Implications

All of the alternative delivery options considered in this report have financial implications that need to be fully scoped before any informed decision can be made.

Human Resources Implications

The procurement of additional properties irrespective of purchase or lease will require additional management support from both the Housing, Legal and property teams.

Sustainability/Biodiversity Implications

The provision of B&B accommodation and the associated cost based on the increased demand is not sustainable.

Equality/Diversity

Persons presenting as homelessness are treated equally with respect and without prejudice irrespective of their background.

Risk Management

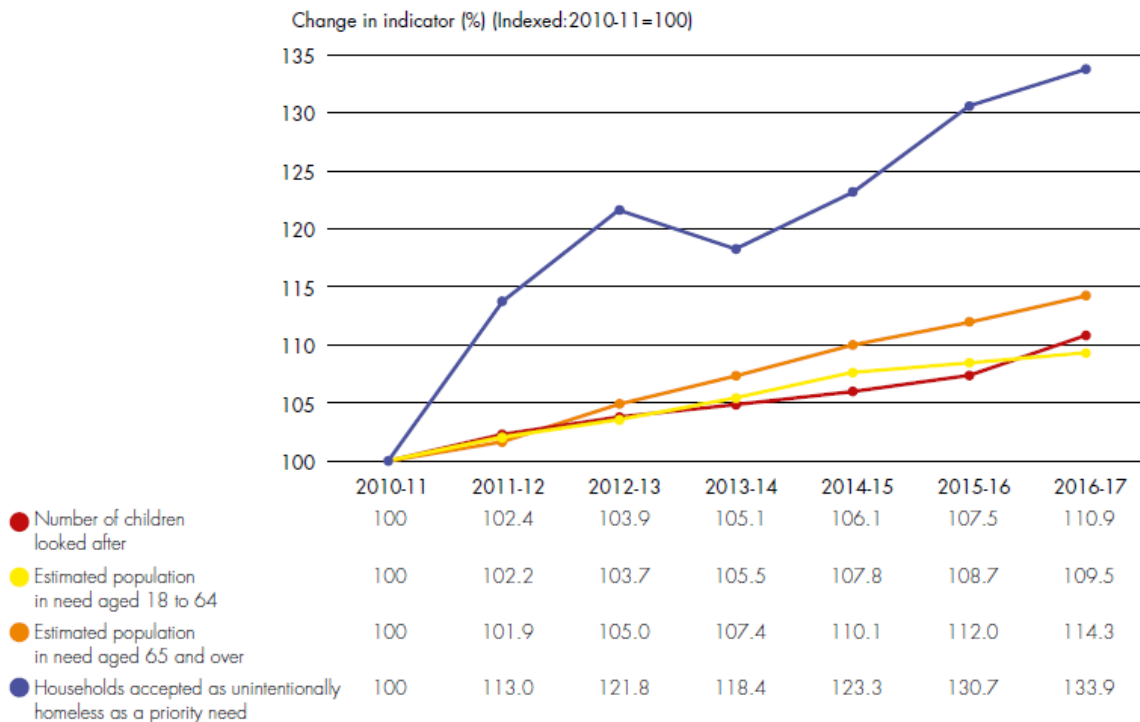
The District Council Network has recently produced a report which shows that the majority if not all Councils are experiencing increased demand for homelessness services. (Figure 1)



Figure 1 National Audit Office analysis of departmental data.

Change in demand in key local authority service areas in England

There has been growth in actual or potential demand in a range of core service areas



The ongoing reliance on the use of B&B as our primary default position is a high risk strategy due to both the lack of availability and high cost particularly during peak season. Therefore to mitigate this, alternative sustainable solutions need to be considered.

Compliance with Policies and Strategies

Homeless is managed in accordance with the provisions of the Homelessness Reduction Act 2017.

Data Protection (GDPR) Implications

Only data that is necessary to provide the service is collected and securely stored electronically. Data is sometimes shared with organisations due to the complex and multi service needs that some customers require. Privacy notices and data sharing agreements are in place to support this.

Ward Member and Lead Member Views

Councillor Catherin Simmons (Lead Member Housing)

4. CONCLUSIONS

There have been a number of external factors that have contributed to the increasing demand for services; these include new legislation, welfare reform, complex needs of customers, the availability of temporary accommodation and what we are able to claim in subsidy.



It is clear that the existing service solution which is heavily reliant on B&B accommodation is not financially sustainable and as such alternative more cost effective solutions need to be considered. It is against this background that this report has set out a number of alternative options for Members consideration.

5. **RECOMMENDATIONS**

It is recommended that Members

- i) Note the continued financial pressure and unsustainability on the Homelessness Service
- ii) Determine which options are preferred for officers to progress and undertake further work / options appraisals.
- iii) Note that if plans proceed with the Modular Accommodation option suitable location(s) will be required.
- iv) Officers are tasked with identifying suitable property that could be used to create additional hostel accommodation.

SUPPORTING INFORMATION

Consultations: Date of Consultation –

Officers Consulted -

Contact Officer:

Background Papers:

