

North Yorkshire Council

Executive

18 June 2024

Development of Temporary Accommodation and Housing Options for the Homeless

Report of the Corporate Director of Community Development

1.0 PURPOSE OF REPORT

- 1.1 To approve the business case for the development of Temporary Accommodation and Housing Options for the Homeless and the associated budget of £11.6m.

2.0 SUMMARY

- 2.1 This report sets out the current position regarding the use of temporary accommodation for the homeless. It highlights the reasons why demand for temporary accommodation is increasing and highlights the cost pressures placed on the Council where hotels and Bed and Breakfast (B&B) accommodation is used.
- 2.2 The report sets out the case to reduce reliance on hotels and B&Bs as temporary accommodation through the development of more suitable and cost-effective alternatives. It seeks approval to use capital funds from both within the Housing Revenue Account capital programme and from the general fund to fund the development of better forms of provision. This would be achieved through the development and/or acquisition of the Council's own assets as well as building on the existing model of using accommodation provided by Registered Providers (RPs).

3.0 BACKGROUND

- 3.1 The Council has various statutory duties to the homeless, including under certain circumstances the provision of temporary accommodation. This accommodation is needed where the Council owes a full rehousing duty to a homeless household but is unable to discharge that duty because no suitable accommodation is available or where a household is homeless, and the Council is determining what duties are owed. In addition, such accommodation is also used in emergency situations such as in periods of severe weather, where short term emergency placements are needed.
- 3.2 Across North Yorkshire the Council has access to a 'core offer' of 169 units of temporary accommodation that are either owned and managed by the Council or by RPs. This is made up of a mixture of purpose built and converted accommodation.
- 3.3 Demand for temporary accommodation has in recent years outstripped supply. The overall number of homeless households placed in temporary accommodation exceed the availability of the 'core offer' and this has meant that the Council is reliant on the use of hotels and B&Bs to meet its legal duties. Throughout 2023 the Council was accommodating between 50 to 70 homeless households in hotels and B&Bs at any-one time. Whilst hotels and B&Bs are used throughout the county, the greatest area of reliance is on the coast in Scarborough where on average around 40 homeless households are placed in B&Bs and hotels at any-one time.

- 3.4 The cost of using hotels and B&Bs as a way of discharging homeless duties is high with average rates in the region of £80 per night with only a small proportion recoverable through housing benefit subsidy. These costs are significantly higher than all alternative forms of Council or RP owned provision. In the Scarborough locality area for example, average gross cost of B&B and hotel placements are in the region of £90 a night or £32,850 per bed used over a full year as compared to £2,000 per flat per year where RP accommodation is used.
- 3.5 Increased reliance on hotels and B&Bs to meet duties has significant cost implications for the Council and a disproportionate impact on overall spending. In 2019/20 gross spend on temporary accommodation was £501,220 and had increased to £2,134,491 in 2022/23, an overall increase in spending of 400%.
- 3.6 Not only is the use of hotels and B&Bs expensive it is un-lawful to place certain groups in B&Bs and hotels, for example it is unlawful to place homeless 16/17s year olds in B&Bs and families with children or pregnant women cannot reside in in B&Bs for more than 6 weeks. Whilst the Council is currently compliant with legislation in this regard this is becoming increasingly challenging as demand increases.
- 3.7 Nationally levels of homelessness are increasing and numbers in temporary accommodation are according to the Government's own statistics at a 25 year high. This is due to a range of factors including a national shortage of social rented homes, a diminishing private rented sector and increased living costs that are impacting on people's ability to pay their rents and mortgages. Demographic changes including increased demand from displaced persons are also pushing up demand.
- 3.8 Within North Yorkshire levels of demand are likely to remain high going forward, which requires proactive intervention measures. In the longer term the Council needs to develop more homes to meet need and has adopted a housing strategy in May 2024 which sets out its ambitious plans to work with partners to develop more affordable housing, along with increasing the supply of its own housing stock. In addition, the Council needs to prioritise and step up its approach to preventing homelessness. In the short-term however, there is a clear and immediate need to increase the pool of Council and RP owned temporary accommodation and phase out the use of expensive B&Bs and hotels.

4.0 Detailed Proposal:

- 4.1 To reduce the use of hotel and B&B accommodation the Council will need to increase its access to more cost-effective accommodation. The most financially advantageous position is for the Council to provide accommodation for the homeless through its own assets. This is due to the Council receiving government subsidy in full for the rent that is due for accommodation. However, due to the scale of the need, the proposal is to also to work in partnership with RPs. The balance between the provision of council-owned accommodation and that of RPs to replace more expensive emergency accommodation, will largely depend on availability of opportunities that are coming forward. The business case (Appendix A) therefore assumes that a mixture of the two delivery mechanisms will be applied, and the savings will therefore depend on the opportunities coming forward.
- 4.2 The model of RP provision has been tried and tested with RPs and allows for the Council to provide a grant towards the refurbishment and/or acquisition of homes. In return the Council would get nomination rights for the homes provided for a time between 20 and 30 years. The RP would be responsible for the repair, maintenance, and management whilst the Council provides the necessary support services. RPs are likely to request that any void costs are

covered by the Council and are likely to ask for higher maintenance fees due to the higher costs incurred for this type of accommodation.

- 4.3 Providing temporary accommodation is not part of the core business for RPs and an appropriate offer as set out above will be required to allow for the delivery of temporary accommodation by RPs. An engagement exercise is proposed to be carried out to develop the detailed grant offer and associated criteria.
- 4.4 The largest use of B&B and hotel accommodation is within Harrogate and Scarborough and efforts in these areas will be prioritised. However, this will not preclude us to pursue opportunities in other localities as these become available. The Council is able to fulfil its statutory duty to provide accommodation to a homeless household by providing accommodation anywhere across North Yorkshire, however, it is recognised that maintaining existing connections and support systems is desirable and where possible this will be considered.
- 4.5 In calculating the savings to be achieved by the investment of capital, it has been assumed that the Council will secure 90 additional units that are either Council-owned or provided by a RP. Whilst we currently have less than this number in emergency accommodation, all data shows the trend that the number of households presenting as homeless will increase and if no alternative accommodation is available these would need to be accommodated in hotels and B&Bs. It therefore seems prudent to allow for some growth in the procurement of more cost-effective accommodation.
- 4.6 For the purpose of establishing a capital investment figure, the assumption has been made that 30 units would be provided by RPs and 60 units would be acquired or build by the Council. To help address the lack of supported housing and release temporary accommodation in Scarborough, the aim is to include the development of a supported housing scheme – ‘*a place of change*’. The proposed new build 20 unit supported housing facility will be a priority project for the authority as it represents a means of regaining control over temporary accommodation costs in the face of rising demand for accommodation and services from a client group with acute need.
- 4.7 Fern House, purpose built homeless accommodation in Harrogate, is a best practice example and the supported housing scheme in Scarborough will follow the same model. The accommodation is made up of 19 self-contained bedsits complete with en-suite bathrooms and kitchen facilities. As well as accommodation, the facility provides a complete support package for individuals who are homeless. This includes health and wellbeing, support for any mental health issues, financial guidance as well as any further advice or information they may require. Part funded by Homes England, Fern House also provides laundry and kitchen facilities, a 24-hour reception desk, a conference room as well as a meeting area. To date, it has provided support for over 74 residents and acted as a steppingstone to alternative accommodation and ongoing support. The facility was built by the Council's in house team acting as both principal and main contractor.
- 4.8 Apart from the hostel in Scarborough, the remaining accommodation is anticipated to be 1 and 2 bedroom self-contained accommodation. Overall, it is anticipated that the 90 units will be procured over a four year period.

5.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 5.1 The Council has consulted on its now adopted Housing Strategy for North Yorkshire. The strategy sets out the Council's aims and ambitions for housing for the period 2024 – 2029 and includes the priority preventing and tackling homelessness.

- 5.2 A separate Homelessness Strategy, which will also include the Council's duty to prevent homelessness, will be developed in 2024/25. The previous Homelessness and Rough Sleeper Strategies of the district and boroughs are still in operation, with a statutory duty for a full review and new strategy to be in place by 2025.
- 5.3 As schemes are developed, the Executive Member for Culture, Arts and Housing as well as the relevant local members will be consulted, and an appropriate engagement strategy developed as part of the business case.

6.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 6.1 The Council's Housing Strategy sets out the Council's vision for housing action and investment across three key themes: People, Places and Homes.
- 6.2 The priorities include preventing and tackling homelessness; meeting supported housing needs and the needs of specific groups and growing the supply of affordable and available housing.

7.0 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 Alternative options that were considered included for 90 units to be provided solely by RPs or solely provided by the Council. Financially, it is more attractive for the Council to provide the accommodation as the Council is able to claim full housing benefit subsidy. However, due to the current pressures, time is of the essence and as such a combination of Council and RP provision was identified as the preferred option to increase capacity and broaden the access to opportunities.
- 7.2 A further alternative is "Do nothing" and to continue placing applicants in B&Bs, which creates a potential over spend on budget, which not only impacts on cost, but B&B accommodation should only ever be used as emergency accommodation not as an actual tenure and should only be used as a last resort as it does not constitute self-contained living.

8.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

- 8.1 Living in emergency accommodation can exasperate health problems. The proposals will reduce the use of emergency accommodation, and this should therefore avoid the exasperation of health problems and reduce or avoid associated costs.
- 8.2 Scarborough is a priority in terms of delivering increased temporary accommodation. However, as there is no legacy Council housing stock in this area, the Housing Service has a lack of resources for maintenance and repair in this area. The housing service will work closely with Property services to ensure appropriate contracts are in place for any forthcoming council-owned temporary accommodation.

9.0 FINANCIAL IMPLICATIONS

- 9.1 The table below provides an illustration to show the existing cost of providing 90 units in high-cost Bed and Breakfast and Hotel type accommodation. The expense to the Council appears as Housing Benefit payments, with limited recovery of Housing Benefit Subsidy compensated by the Department for Works and Pensions.
- 9.2 This is compared to the estimated cost to provide the same number of units based on the recommended option 2 (20 General Fund (GF) Supported, 30 RP and 40 Housing Revenue Account (HRA)). Assumed borrowing costs have been incorporated to ensure the programme is viable and savings can be delivered, should borrowing or repayment of internal

investment be required. Financing decisions will be subject to approval on an individual scheme basis by the Corporate Director Resources.

- 9.3 The data supporting statistical reporting needs to be developed as the Housing team restructures and consolidates processes for reporting. Savings will be tracked and reported through quarterly financial monitoring cycles as a minimum, this will be the responsibility of the Head of Housing Needs, with support from Finance. The capital programme spend and delivery will be monitored through the Housing Capital Board.
- 9.4 Whilst the table shows a comparative saving of £1.919m for providing 90 units in high-cost accommodation versus in-house and RP provision, the target savings remain, which is to eliminate the current projected overspend, (est. £983k), plus reduce base budgets by £750k by 2027/28, a total of approximately £1.733m.

Existing Provision	40	20	30	90
Current Cost Gross Cost (B&B Housing Benefit)	1,109,600	554,800	832,200	2,496,600
Housing Benefit Subsidy	-140,943	-70,471	-105,707	-317,121
Average current cost to provide 90 beds	968,657	484,329	726,493	2,179,479
Proposed	Council Owned HRA General	Council Owned GF Supported	RP Partners	Total
Rent paid through Housing Benefit	280,800	217,866	326,799	825,465
Rent Recovered via HB Subsidy	-280,800	-217,866	-121,165	-619,831
Internal Borrowing MRP and Interest	212,544	138,441	54,768	405,753
Property Management and Maintenance Costs	68,256	79,425		147,681
Rental Income Received through HB	-280,800	-217,866		-498,666
Proposed Net cost to provide 90 Beds	0	0	260,402	260,402
Net Saving	-968,657	-484,329	-466,091	-1,919,077

- 9.5 The funding requirement for in-house delivery of units is based on indicative estimates for total scheme costs consisting of acquisition, works and fees. Indicative estimates have been sourced in relation to RP partner costs. Each property/site brought forward would require a full financial assessment as part of the initial feasibility works and financing decisions approved by the Corporate Director Resources. This funding mix is to demonstrate the programme viability should borrowing or repayment of internal investment be required.
- 9.6 It is expected that the capital investment can be met from within existing capital programme budgets. HRA funding will be allocated from the Housing Delivery programme identified in the 2024/25 Housing Revenue Account business plan, and General Fund schemes from legacy programmes which were held pending reassessment of programme requirements. The programme will be kept under review as individual assessments are carried out. Should additional budgets be required, these will be brought forward as individual business cases are developed.

Funding	Council Owned HRA General (40)	Council Owned GF Supported (20)	RP Partners (30)	Total (90)
Borrowing / Council Resource	4,320,000	2,275,000	900,000	7,495,000
Homes England Grant / Capital receipts / S106 Receipts	2,880,000	1,225,000	-	4,105,000
Total	7,200,000	3,500,000	900,000	11,600,000

10.0 LEGAL IMPLICATIONS

- 10.1 The Council has a statutory duty to prevent homelessness and provide assistance to people threatened with or actually homelessness. It therefore has a duty to secure accommodation which it currently does by using its own and third party accommodation. The current approach includes the use of hotels and B&Bs. Whilst this is generally undesirable as a long-term solution, it is unlawful to place homeless 16/17s year olds in B&Bs; and families with children or pregnant women cannot be placed in B&Bs for more than 6 weeks.
- 10.2 The Council has general powers under section 120 of the Local Government Act 1972 to acquire land for the discharge of its functions. This could include the acquisition of land for the purposes of undertaking its homelessness functions, such as securing suitable accommodation.
- 10.3 Section 9 of the Housing Act 1985 also gives local housing authorities the power to provide housing accommodation by erecting or acquiring houses. Any such accommodation erected or acquired using the Section 9 power should be accounted for within the Housing Revenue Account (HRA) under s.74(1) of the Local Government & Housing Act 1989.
- 10.4 Therefore, the construction and purchase of temporary accommodation could be funded from HRA and, further, in accordance with Part II, Schedule 4 to the 1989 Act, the repair, maintenance, supervision and management of temporary accommodation erected or acquired under the Section 9 power could also be debited from the HRA. However, services/administration costs (including staff salaries) provided pursuant to a Council's homelessness and housing advisory duties under the 1996 Act should still be accounted for out of the General Fund.
- 10.5 The Council is intending to provide a grant offer to Registered Providers to increase the access to accommodation in order for the Council to discharge its duty with regard to homeless households. The detail of this offer is yet to be determined appropriate processes will be followed and subsidy control advice will be obtained.

11.0 RISK MANAGEMENT IMPLICATIONS

- 11.1 Not proceeding with the proposal risks the Council's expenditure on emergency accommodation increasing significantly putting the Council under further financial pressures.
- 11.2 The risk of individual business cases and proposals will be considered and scrutinised by the relevant capital board. There is a risk of RPs not providing the required accommodation and the Council needing to develop and acquire more of its own assets.
- 11.3 As with any development scheme, there are risks in terms of build costs increases as well as risks associated with site abnormalities. These will be assessed and monitored as part of individual schemes.

12.0 EQUALITIES IMPLICATIONS

12.1 The broad priorities of the Council's draft Housing Strategy, seek to address equality issues in terms of access to housing. The programme focuses on all tenures, but as a priority, addresses the needs of the homeless who have difficulty obtaining affordable housing across the County. (See Appendix B for the Initial Equality Impact Assessment Screening Form).

13.0 CLIMATE CHANGE IMPLICATIONS

13.1 Consideration will be given to utilising the Building Research Establishment Environmental Assessment in order to maximise sustainability and energy efficiency within the refurbishment and building of any buildings where applicable.

13.2 Each scheme will be assessed individually, as new build schemes will have different criteria to meet compared to a refurbishment project. All works will be to current building regulation standards. Enhanced energy efficiency measures will be provided to attain an EPC rating of C or higher, where cost effective and practicable.

13.3 The Committee on Climate Change recommends a new emissions target for the UK: net-zero greenhouse gases by 2050. This will be through utilising known technologies; delivering cheaper transport costs (electric vehicles); cheaper electricity bills (low-cost renewable electricity); cleaner air; less congestion; more biodiversity; cleaner water and reduced global warming (leading to less flooding).

13.4 Our partners will be encouraged to build along green lines for any affordable housing. (See Appendix C for the Initial Climate Change Impact Assessment).

14.0 COMMUNITY SAFETY IMPLICATIONS

14.1 Individual scheme proposals may have community safety implications. To establish these and form appropriate responses, individual business cases will address and consider community safety.

15.0 CONCLUSIONS

15.1 To reduce the current use of emergency accommodation, the Council needs to secure access to more suitable and cost-effective accommodation for homeless households. This report sets out how the Council is intending to achieve these objectives, by acquiring and building appropriate accommodation as well as partnering with Registered Providers.

16.0 REASONS FOR RECOMMENDATIONS

16.1 To allow for the provision of more cost-effective solutions for the provision of temporary accommodation and to reduce the use of expensive emergency provision.

17.0 RECOMMENDATIONS

The Executive is asked

- (i) To approve the business case and a £11.6m budget for the delivery of accommodation for a minimum of 90 homeless households
- (ii) That the approval of individual business cases is delegated to the Corporate Director, Community Development in consultation with the Corporate Director Resources and the Executive Member for Culture, Arts and Housing

- (iii) That determining the detail of the grant offer to Registered Providers is delegated to the Corporate Director, Community Development in consultation with the Corporate Director Resources.

APPENDICES:

Appendix A – Development of Temporary Accommodation and Housing Options for Homelessness Business Case

Appendix B - Initial Equality Impact Assessment Screening Form

Appendix C – Initial Climate Change Impact Assessment

BACKGROUND DOCUMENTS:

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries

