

# **Reducing use of out of area bed and breakfast accommodation**

*(Before the implementation of the Homelessness Reduction Act 2017)*

## **Options appraisal**

**2017**

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## **Executive Summary**

There has been widespread coverage of the national housing crisis. Supply has fallen well short of what is needed for decades. But the challenge is more complex than that.

Between 2013/14 and 2015/2016 homelessness acceptances rose from 197 households to 375 households in 2015/2016. A concerted and focussed approach to homelessness prevention saw the numbers fall in 2016/2017 to 325. However, the numbers of households in temporary accommodation continues to increase; at the end of 2013/14 it was 162 households and at the end of 2016/2017 it was 204 households.

National research and local experience shows that temporary accommodation is not a good solution for households. The uncertainty and temporary nature of the accommodation places strains on mental health and relationships. Children in a household can see their education disrupted. Households can be provided with temporary accommodation that is significant distances away from support and community networks at a time when they are needed most. In order to minimise both the numbers in temporary accommodation and the time spent living there our focus has to continue be on the **prevention of homelessness** and the **supply of permanent homes**.

There is no one silver bullet to solving the current crisis in housing. This report seeks to propose several solutions on the basis that together they will make a difference.

The challenge will not end with the implementation of these solutions. The Council and Colchester Borough Homes will face new challenges with the implementation of the Homelessness Reduction Act. We need to continue to seek new and innovative ways to increase supply and prevent homelessness using our own resources, our partnerships and our influence.

## **A.The challenge**

### **What is the challenge?**

CBC wants to enable and deliver the best possible outcomes for its communities. We can observe and interpret what is happening globally and nationally but at the local level we can use our resources, experience, partnerships, influencing skills and perseverance to put solutions in place.

Let's not under-estimate the size of the challenge; never before has the housing world been faced with so many changes at the same time. We have always faced these challenges by innovating, developing new ways of working and re-invigorating partnerships.

In the current climate our focus should be on:

- Preventing homelessness.
- Supply of housing.

This report focuses on one part of the Housing Challenge in Colchester;

**Reducing use of out of area bed and breakfast accommodation** (*Before the implementation of the Homelessness Reduction Act 2017*)

Whilst the number of households Colchester accepted a rehousing duty towards fell in 2016/2017<sup>1</sup>, the number of households in temporary accommodation increased<sup>2</sup>.

### **Homelessness Reduction Act 2017**

The Homelessness Reduction Act 2017 will place new duties on local housing authorities. Regulations to implement the Act are being prepared by Government, and a new Code of Guidance is being consulted on. Initial feedback from local authorities is that the Act will increase the number of customers whom the Council will need to provide advice and support to, and potentially increase the amount of temporary accommodation required. This is why it is difficult to commit to reducing the use of out of area bed and breakfast accommodation once the Act has been implemented. However, a number of measures suggested in the paper could contribute to the outcome of reducing the use out of area bed and breakfast in the future and increase the amount of good quality temporary accommodation available.

### **Homeless household's accommodation journey**

Local authorities have a legal duty to provide accommodation for households who are homeless. The type of accommodation used depends on where the household is in its journey whilst the local authority assesses the household under homelessness legislation, the needs of the household, the size of the household and what the local authority has available at the time. Because of the severe shortage of permanent homes all households who are homeless can expect to spend time in temporary accommodation, including bed and breakfast accommodation. The chart at Appendix 2 seeks to explain this accommodation journey.

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<sup>1</sup> 325 households in 2016/2017 compared to 375 households in 2015/2016

<sup>2</sup> 204 in 2016/2017 compared to 184 in 2015/2016.

## **B. Options to enable no use of out of area B&B**

*(Before the implementation of the Homelessness Reduction Act 2017)*

A number of options have been considered – these are shown in Appendix 3.

### **Recommendations:**

#### **Do now:**

- Pursue purchase of open market properties for use as temporary accommodation.
- Increased private sector landlord incentives pilot.
- Allocation Policy - process changes.
- Use of Flexible Homelessness Support Grant.
- Enable the purchase of former right to buy council properties offered back to the Council under the “right of first refusal” legislation.

#### **Begin detailed work and implement next if proves viable and Cabinet approves:**

- Increase the supply of permanent affordable housing through investment in property investment fund.
- Increase the supply of permanent affordable housing by using right to buy 1-4-1 receipts to purchase properties where the Council becomes a “shared owner”.

## Summary of do now recommendations

Opportunity	Financial ask	New funding required	Returns	Additional information
Purchase open market properties for use as temporary accommodation	<b>Option 1 £2,880,000</b>  <b>Option 2 £1,605,000</b>	Option 1 £2,016,000 (general fund borrowing)  Option 2 0	16 properties to be used as temporary accommodation Rental income to General Fund  9 properties to be used as temporary accommodation Rental income to General Fund	Option 1 Funded through £2,016,000 General fund borrowing (repaid by rental income) and £864,000 RTB 1-4-1 receipts (or a combination of AHNHB and NHB)  Option 2- Existing budget is a mix of RTB 1-4-1 receipts and AH NHB - Could dispose of properties and generate capital receipt if no longer needed
Increased landlord incentives pilot	<b>£250,000</b>	£100,000	Up to 166 households housed.	£150k from Flexible Homelessness Support Grant and £100,000 from other CBC sources (NHB) A sustainable model requires research – bid made to LGA for Housing Advisor support was unsuccessful.
Allocation Policy – process changes	0	0	Movement through temporary accommodation therefore freeing up temp and preventing it silting up	Process changes.
Flexible Homelessness Support Grant	0 (2016/2017 = £494,040 2017/2018 = £559,423 grant from DCLG)	0	Rent deposit and incentives to make use of affordable private rented accommodation Supporting viability of private sector leasing	Proposal is that £150k of this grant be used for increased landlord incentives pilot.
Buy back Right to buy properties	0 (use existing budgets)	0	2015/2016 – 10 properties CBC given right of first refusal 2016/2017 – 9 properties CBC given right of first refusal	Properties to be purchased by RPs (with 30% RTB 1-4-1 receipts) or by CBC with up to 30% RTB 1-4-1 receipts and existing budgets (AH NHB <sup>3</sup> or commuted sum)

<sup>3</sup> AH NHB will not be available if used for Option 2 purchasing on open market

## **C. Detailed considerations: Do now recommendations**

### **1. Purchase of open market properties for use as temporary accommodation**

This option would increase the supply of temporary accommodation and contribute to the aim of not using B&B out of area.

#### **1.2 General considerations:**

- To obtain best value for money in terms of capital costs and housing management costs, ex-council properties would be considered first.
- Capital funding would be from the General Fund as there is no borrowing capacity in the HRA as it has all been committed to meet the Asset Management Strategy. As General Fund properties, the homes can only be used as temporary accommodation. Full financial details below.
- The size and type of homes required are based on the Council's Temporary Accommodation Position Statement and the current shortfall of temporary accommodation.

#### **1.3 Financial considerations**

Option 1 demonstrates the minimum rent required to ensure repayment of any interest on borrowing undertaken to fund the purchase of properties with 30% of total scheme costs being funded from RTB receipts. A 20% allowance is made to fund the management and maintenance costs of the property each year. Viability is justified if rents can be kept within LHA levels, which in the model shown below they are. There is the opportunity to flex the rents if management and maintenance costs are higher.

Option 1

<b>Borrowing with RTB Receipt subsidy</b>		
	2-bed flat	3-bed house
Total Scheme Cost (including professional fees, SDLT, works etc)	£165,000	£225,000
RTB Receipts contribution (30% of Total Scheme Cost)	£49,500	£67,500
<b>Scheme cost to CBC</b>	<b>£115,500</b>	<b>£157,500</b>
*3% Net Rental Return Required each year (less 20% management and maintenance costs)	£3,465	£4,725
Gross Rent PA chargeable to tenant (inc 20% M&M@ £866 p.a.)	£4,331	£5,906
Gross Rent PW chargeable to tenant	£83	£114
LHA	£132	£161
Gross Rent as % of market rent	57%	61%
* 3%= Public Works Loan Board rate of 2.5% pa + 0.5% risk premium		

## Total costs to meet need – option 1

- This table shows the total borrowing that would be required to meet current need.
- The borrowing could be increased or decreased depending on desire to purchase fewer or more properties and views on borrowing.
- Borrowing could be decreased by using other sources of funding such as AHNHB or NHB.

	<b>Purchase price</b>	<b>30% RTB receipts</b>	<b>Borrowing required</b>
4 x 3beds	£900,000	£270,000.00	£630,000.00
12 x 2 beds	£1,980,000	£594,000.00	£1,386,000
<b>Total</b>	<b>£2,880,000</b>	<b>£864,000.00</b>	<b>£2,016,000.00</b>

## Option 2

Option 2 shows the use of existing budgets to fund the purchase of homes for use as temporary accommodation. There is no debt to repay and rents are solely based on current rents charged in temporary accommodation.

<b>Use of existing budgets with RTB Receipt subsidy</b>		
	2-bed flat	3-bed house
Total Scheme Cost (including professional fees, SDLT, works etc)	£165,000	£225,000
RTB Receipts contribution (30% of Total Scheme Cost)	£49,500	£67,500
<b>Scheme cost to CBC</b>	<b>£115,500</b>	<b>£157,500</b>
Gross Rent PA chargeable to tenant based on current CBC temp	£7773.50	£5625.00
Gross Rent PW chargeable to tenant	£155.47*	£112.50**
LHA	£132	£161
Gross Rent as % of market rent	106%	61%

\*includes service charge of £20.86

\*\*includes service charge of £5.20



## Available funding to meet need Option 2

Using existing affordable housing NHB (£1.2m) and 30% RTB receipts produces £1.605m of available spending which decreases the number of properties to 9 in total.

	<b>Purchase price</b>	<b>30% RTB receipts</b>	<b>Contribution from existing budgets</b>
2 x 3 beds	£450,000	£135,000	£315,000
7 x 2 beds	£1,155,000	£346,500	£808,500
total	£1,605,000	£481,500	£1,123,500

### 1.4 Property and tenant management considerations

- Temporary Accommodation tends to have a higher than average number of tenancy changes than general needs properties and therefore void costs over time are likely to be higher.
- Efficient if properties are purchased in locations where CBH already manages housing stock.
- Rents originally worked out to be within LHA cap as new rules for temporary accommodation were imminent. Current consultation is not clear on whether the temporary housing we are proposing will be included in the new funding model and states, “(our) definition does not apply to housing which does not provide soft support together with accommodation, such as general needs temporary accommodation”. The consultation paper proposes a new local funding model which will create a single funding stream to cover housing costs (core rent and eligible service charges) to be distributed by upper tier local authorities.
- Management cost of property will be based on condition of property and location, expected cost to be around £1,000 each year. This is higher than cost of general needs stock to allow for intensive housing management which is likely to be required for a household requiring temporary accommodation. CBH estimates shown below but does not include other overheads estimated at £800 per property per annum. On an option 2, three bedroom property, this would make the management and maintenance costs 32% of the total gross rental income.

<b>CBH Management Costs</b>	
Repairs & maintenance	300.00
Void costs	500.00
Intensive Housing management	200.00
Other CBH overheads	800.00
<b>Total</b>	<b>£1,800</b>

## **2. Increased private sector landlord incentives - pilot**

The Homefinder Scheme administered by Colchester Borough Homes enables the Council to access the private rented sector and end the homeless duty through what is known as a 'qualifying offer of accommodation'. In 2015/2016 the Council has ended its housing duty to 11 households and prevented homelessness for 57 households through the private rented sector. The current scheme makes a single payment of £150 which is paid to the landlord or agent towards administration fees.

CBH are reviewing the scheme and whilst it has worked well in the past, the scheme is less attractive to Landlords and Agents due to demand for private rented sector homes and landlords being able to secure tenants who can pay rents significantly above LHA rates.

Other local authorities are increasing the incentives they offer landlords in return for two year tenancies (subject to the tenant adhering to the tenancy conditions).

In order to increase the number of households prevented from becoming homeless and/or end our housing duty by using the private rented sector, it is recommended that a two year pilot scheme be undertaken which increases the incentive offered to private landlords in order to increase the supply of private sector accommodation. The pilot would explore the impact of incentives, the costs and benefits and the value required to encourage participation by landlords. It will also explore the possibility of using incremental incentives depending on length of tenancy offered for example, a £500 incentive for a 12 month tenancy increasing to £1500 for a 2 year tenancy. It will also be possible to test this with prospective private sector leasing scheme landlords. A total of £250k would secure up to 166 homes. A total of £150k would be provided from the Flexible Homeless Support Grant and £100k from new money.

## **3. Allocation Policy – process changes**

CBH will work with homeless households in temporary accommodation and Registered Providers so that the concept of a "one offer" of accommodation for accepted homeless applicants is both understood and enforced. CBH will seek the participation of Registered Providers in the one offer processes so that homeless households do not spend unnecessarily long periods of time in temporary accommodation bidding on and refusing properties which would provide them with a permanent home.

## **4. Flexible Homelessness Support Grant**

The Government's new Flexible Homelessness Support Grant replaced the former Department of Work and Pensions (DWP) Temporary Accommodation Management fee (TAMF) funding, which was provided to meet the additional costs of managing self-contained temporary accommodation. The Government wants local authorities to spend money on preventing homelessness instead of on costly temporary accommodation. It has therefore abolished the TAMF and provided instead an annual grant (for two years) in order that local authorities tackle homelessness in more flexible and creative ways. The value of the TAMF (which was paid directly to registered providers or to tenants to meet their rent payments) was £152,635. The

value of the flexible homelessness support grant is £494,040 for 2016/2017 and £559,423 for 2017/2018 (although note £150k proposed for increased incentives to private sector landlords).

The funding has been delegated to CBH as they provide the front-line Homelessness and Housing Options Service on behalf of CBC and are best placed to spend this money most effectively to prevent homelessness. It is being used to prevent homelessness through negotiation with landlords to extend tenancies and support those who are not able to afford deposit and agency fees to secure an otherwise affordable private rented home. The Private sector leasing scheme (which previously received TAMF funding) and Homefinder landlord incentive is also subsidised through this fund.

## **5. Purchasing back properties previously sold under the RTB when they are offered back to the Council**

All properties (freehold and leasehold) sold under the RTB since 18th January 2005 contain a covenant which compels the owner to offer the property back to the Council, if the property is offered for sale within ten years of the original purchase. This is known as the right of first refusal. There is nothing which compels the Council to buy back properties offered to it in this way. However, the Council has always considered whether or not to buy back a property.

The Council's decision to make use of the right to buy back a property is set out in its policy which identifies the following factors which are taken into consideration

- a) Capital funds are available.
- b) Housing need and demand is established for the type of property being offered and in the area where the property is located.
- c) Additional costs for any refurbishment work is minimal, i.e. to bring the property up to the Decent Homes Standard.
- d) The purchase represents value for money.

In addition to the factors above there may be other instances when the Council may wish to buy back a property, for example, where a piece of land in its ownership is landlocked. The Council can also nominate a Registered Provider to buy the property. Therefore the Council has also consulted with Registered Providers to see whether there is any interest to purchase the property being offered. However, in the past, the Council has been unable to satisfy criteria a), c) and d) above and has had limited ability to offer grant to registered providers which offered good value for money compared to the grant for a new build property.

With the ability to use RTB receipts up to 30% of the total cost of purchasing back an ex-council property offered back to the Council, this option now represents better value for money.

A process has been developed to ensure that properties offered back to the Council are now efficiently shared with RPs along with the offer of up to 30% of the purchase price as grant, in return for nomination rights. We are recommending in this report that where the Council considers it beneficial to purchase a former right to buy property itself, that it considers using existing budgets to do so e.g. Affordable Housing NHB, commuted sums and holding these properties in the general fund as temporary accommodation or as permanent accommodation depending on what the need is at the time and the funding used. The usual approval routes and governance processes would be followed. This could see up to 10 properties purchased each year by the Council or RPs for use as affordable housing.

It should be noted that where an RP purchases a RTB it will be permanent housing. Where an RP purchases a property, aside from the RTB receipts grant, there are no further costs to the Council

<b>Purchasing former RTB properties with 30% RTB Receipt subsidy</b>		
	2-bed flat	3-bed house
Total Scheme Cost (including professional fees, SDLT, works etc)	£165,000	£225,000
RTB Receipts contribution (30% of Total Scheme Cost)	£49,500	£67,500
Scheme cost to CBC	£115,500	£157,500
*5% Rental Return each year	£5,775	£7,875
Rent PA chargeable to tenant	£5,775	£7,875
Rent PW chargeable to tenant	£111	£151
LHA	£132	£161
Gross Rent as % of market rent	77%	82%

\*No allowance is made for management and maintenance in this model as these are 1-4-1 replacements to replace homes sold under the RTB

## **D. Detailed considerations: Begin detailed work and implement next if proves viable and Cabinet approves**

1. Increase the supply of permanent affordable housing through investment in property investment fund.
2. Increase the supply of permanent affordable housing by using right to buy 1-4-1 receipts to purchase properties where the Council becomes a “shared owner”.

### **1. Increase the supply of permanent affordable housing through investment in property investment fund.**

The National Homelessness Property Fund provides properties as move-on accommodation, leased to organisations tackling homelessness.

After the success of the “Real Lettings” Property Fund in London, Resonance believes that this formula of working with homelessness charities and local authorities will work in other areas of the UK, and have developed the National Homelessness Property Fund. The Fund is currently operating in three cities across the UK – Bristol, Oxford and Milton Keynes – with more planned. The current model sees St Mungo’s managing the properties and tenants nominated by the local authority. Oxford invested £5 million in the fund for an initial period of 7 years. A return is made on the investment (assuming the fund performs, evidence from the London fund is positive). Oxford are seeking to secure 50 properties through the fund.

The Council cannot borrow to invest, and would have to effectively borrow from internal sources. It may be possible to invest commuted sums in the fund so long as they are returned to the commuted sum “pot” at the end of the investment term. We would need to explore the investment model and returns in more detail as well as have more detailed discussions with Oxford about how the model is working in practice.

We are talking with 2 other Essex authorities about their interest in the fund as increasing the number of local authority investors helps attract external investment to match fund the public investment and increases the capacity of the fund to purchase properties.

### **2. Increase the supply of permanent affordable housing by using right to buy 1-4-1 receipts to purchase properties where the Council becomes a “shared owner”.**

We are in early discussions with an organisation funded by local authority pension funds which has recently become a registered provider. They have a number of models where they purchase properties on the open market. The one we are most interested in is the model where the Council would purchase a 25% share in a property (potentially using RTB 1-4-1 receipts) and become a shared owner. The Council would be provided with a lease that allowed it to sublet the

property (to a household of the Council's choice). The rental income from the tenant would cover the management of the property (to be provided by an RP or potentially our ALMO) and the rental payment due on the unsold portion of the property to the organisation that bought it. Again, we need to do more work on investigating how the model is operating elsewhere, the risks and benefits.

## **E General considerations –temporary accommodation**

There are some general considerations/issues to take into account which ever option is chosen to achieve the desired outcome of Reducing use of out of area bed and breakfast accommodation (*Before the implementation of the Homelessness Reduction Act 2017*).

### **Funding supported housing**

The Government has dropped its plans to restrict supported housing rents to the level of LHA. Its current (November 2017) consultation proposes that 100% of provision will be commissioned at a local level, funded locally through a ring-fenced grant, and underpinned by a new local planning and oversight regime. This means all the funding for housing costs (including rent and eligible service charges) that were previously met from Housing Benefit, will instead be allocated to upper tier local authorities to fund services that meet the needs of their local areas. This model will come in to effect from 2020. It is not clear yet whether the temporary accommodation proposed in this report will meet the definition of “supported” housing.

### **Funding social housing**

Plans to restrict all social housing rents to the LHA cap have also been dropped. This means that even if the temporary accommodation was not classed as supported rents and service charges would be met by the tenant. If they were claiming Universal Credit then this welfare benefit would need to meet the rent and service charge payments.

A significant proportion of our current temporary accommodation is provided by Family Mosaic Housing Association. One of the schemes they manage is Hargood Close. Current weekly rent at Hargood Close for a two bedroom property is £175.00 per week (£149.00 rent and housing benefit eligible service charges £26.00 non-housing benefit eligible service charges). For a three-bed property it is £170.00 per week (£168.00 rent and £2.00 service charge). There are already a number of families in temporary accommodation who are “benefit capped<sup>4</sup>” and receiving discretionary housing payments to enable them to meet their rent payments.

The viability of a scheme, put simply, the ability of the rent and service charges to cover the management and repair of the building, the cost of providing utilities/other running costs and repayment of any borrowing is a significant consideration. If rents are restricted by the future funding proposals for supported housing and this does not cover the costs of running the scheme then the scheme could make a loss. This would impact on the General Fund. CBC could consider whether to subsidise the temporary accommodation from the General Fund. Equally, the application of the

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<sup>4</sup> The Benefit Cap is a limit on the total amount of certain benefits a household can get if they are of working age. The Benefit Cap only affects households claiming Housing Benefit or Universal Credit. If the cap is applied Housing Benefit or Universal Credit is reduced. For a family with children the cap is currently £20,000 per year or £384.62 per week.



benefit cap could make some temporary accommodation unaffordable for households who have their welfare benefits restricted.

### **Housing related support (HRS)**

Historically, given the client group of temporary accommodation, housing related support funding has been available from Essex County Council (ECC) to enable tenants to be supported to maintain their tenancies, develop life and budgeting skills as well as co-ordinate additional services required by the tenant. This HRS funding has been reducing year on year. A review of current levels of HRS in existing temporary accommodation schemes is proposed by ECC in 2017/2018 with reductions in funding one of the key outcomes of the review.

### **Management of temporary accommodation**

The management of temporary accommodation requires more intensive management than general needs housing. Homelessness is often a symptom of other challenges a household is facing. Where facilities are shared by more than one household additional challenges arise regarding managing the facilities and keeping them in good order.

### **Lessons learnt from previous models of temporary accommodation**

In 2009 the Council undertook a review of its temporary accommodation. The desired outcome of that review was; improvement in the stock of temporary accommodation for those in need of short term housing; improvement in the support provided for the tenants of temporary accommodation; better outcomes for these tenants; recurring revenue savings for the Council and the potential for surplus capital receipts. These outcomes sought to address some of the key issues being experienced in the management and maintenance of temporary accommodation and the outcomes being achieved for households experiencing homelessness. The strategic focus was also on prevention of homelessness and the supply of permanent accommodation which would minimise the need for temporary accommodation. In securing additional temporary accommodation it will be important to take into consideration the lessons learnt from CBC's previous models of temporary accommodation.

### **Future proofing and exit strategy**

It is important to consider what will happen once any new temporary accommodation is occupied, yet the demand for accommodation from homeless households is still present. In addition, for each option, an exit strategy should be developed.

## Different options and different delivery models

This report sets out the potential different options to increase the supply of temporary accommodation. There are different models to deliver these options as set out below.

<b>Delivery option</b>	<b>Considerations</b>
CBC to fund and develop CBH to manage	Control over development and rents and service charges sits with CBC. Management model and agreements already in place. Development experience going to LHC.
Local housing company develops CBH manages	LHC in infancy. Management models, funding agreements and methods still to be established.
Partnership with registered provider (CBC provide some grant funding RP own and manage)	RP could bring additional capital funding CBC funding as grant in exchange for nomination rights. May need procurement Successful model in place at Hargood /Friars/ Sagewood Unknown what appetite is in RP sector.

## **Homelessness Reduction Act 2017**

**Aims:** To propose improvements to the legal framework to prevent and tackle single homelessness more effectively in England, without undermining the rights people currently have under the existing system.

### Summary of key changes

<b>Current legislation and duty</b>	<b>Proposed legislation and duty</b>
Duty owed by (LAs) to someone who is homeless or threatened with homelessness if it is likely that they will become homeless within 28 days.	The number of days has been extended from 28 to 56. <i>(Impact - Potential increase in customer approaches, expectations and use of temporary accommodation)</i>
Secure that advice and information about homelessness, and the prevention of homelessness, is available free of charge to any person in their district. The types of steps authorities should take to discharge this duty are not detailed so this duty is more general and can vary widely.	<p>LAs would be required to provide or secure the provision of free services to give people in their area information and advice to:</p> <ul style="list-style-type: none"> <li>• prevent homelessness</li> <li>• secure accommodation if homeless or likely to become homeless</li> </ul> <p>LAs would have to publish information about the system for providing advice, how it works, whether there is any other help for homeless or threatened homeless people in the area, how to access it as well as help to do so.</p> <p>LAs must also ensure services are designed to meet the needs of particular groups at increased risk of becoming homeless including (but not limited to) care leavers, people leaving prison, people with learning disabilities, people receiving treatment for a mental health issue, people leaving hospital after receiving treatment as an inpatient and people leaving the regular armed forces. <i>(Impact - Potential increase in customer approaches and use of temporary accommodation)</i></p>
LAs are required to make inquiries to establish if someone seeking homelessness assistance has a priority need. Certain groups of homeless people are defined as having a priority need for homelessness assistance. Those who are found to be in priority need and unintentionally homeless are owed what is called the 'full housing duty' meaning they are entitled to suitable accommodation and the LA is duty bound to secure this. Households not in priority need, which are most likely to be single people without children, or childless couples, are owed 'advice and assistance' only.	Legally obliged to provide assistance to <b>everyone</b> who is homeless or at risk of homelessness, irrespective of their priority need status, in order to reduce homelessness levels in their areas. These new requirements are outlined in the Bill's homelessness reduction duties, which are made up of three parts. For brevity these are not set out here. <i>(Impact - Potential increase in customer approaches and use of temporary accommodation)</i>

Current legislation and duty	Proposed legislation and duty
<p>Secure suitable accommodation for households they have reason to believe are homeless and may have a priority need.</p> <p>Any accommodation secured is to be made available for whatever period it takes for inquiries to be made into what, if any, duties are owed to a household under the Act.</p>	<p>The Homelessness Reduction Bill adds a new duty towards those who have nowhere safe to stay, are eligible for assistance, have a local connection and do not have a priority need but have not become homeless intentionally. LAs must secure that accommodation is made available for the applicant's occupation for a maximum period of 56 days from the date of their application.</p>
<p>Local connection is established by way of employment, residence, family association or special circumstances.</p>	<p>More detailed local connection criteria with more duties for example towards care leavers.</p>

The Homeless Reduction Act received Royal Assent in July 2017 and will be enacted in April 2018

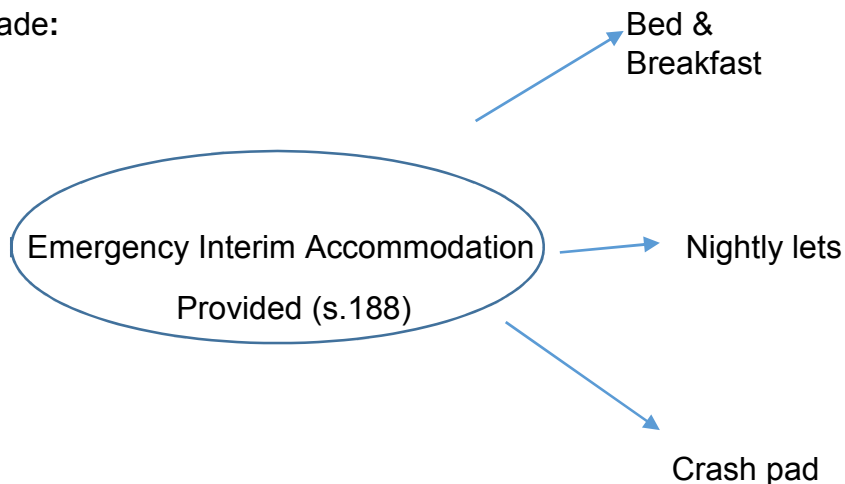
Ahead of commencement, the Government has worked closely with local government, charities and others to ensure that a number of key elements are in place, including:

- A new updated Homelessness Code of Guidance for Local Authorities ('the Code of Guidance'). Is now out for consultation. The consultation closes on the 13<sup>th</sup> December 2017
- Local housing authorities will need to put in place the extra resources, New Burdens funding has been announced for all local authorities to support this
- The Government has put in place a network of expert advisors that will support and challenge local housing authorities in the implementation of the legislation.
- Regulations will be laid down to ensure that partner agencies will refer all clients that they are working with who are homeless or threatened with homelessness.

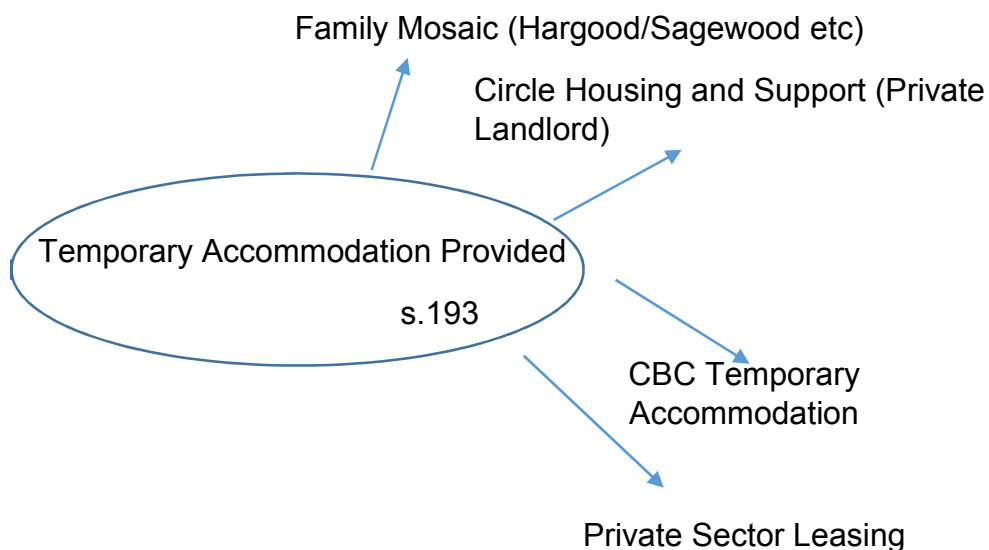
### **Chart to show the Accommodation Journey for Homeless Households**

1. Approach from Homeless household.

2. Whilst enquiries are made:

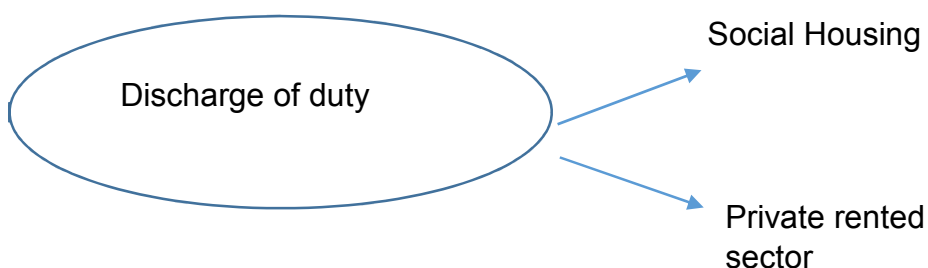


3 Once decision is made that L.A. has duty to provide accommodation : may include accommodation solutions above or:



Households may move around in temporary accommodation depending on their circumstances.

4. Permanent rehousing



### Summary of all options considered

CBC and CBH have considered a number of options to achieve the outcome of not using Bed and Breakfast accommodation out of the CBC borough for homeless households. They are set out here for completeness – those not considered viable or having significant lead in times (years) were discounted at this stage. This doesn't preclude further exploration of these options in the future, especially if any of the parameters which precluded them this time change. The options include:

1. ✓Leasing properties from another organisation – *already being pursued by CBH through Steff and Phillips and Circle Housing and support (used as nightly lets)*
2. ✕Using council permanent housing as temporary accommodation – *discounted for reasons below*
3. ✕Converting sheltered housing to temporary accommodation – *discounted on grounds of cost and time to deliver*
4. ✕Converting large residential property through the General Fund
5. ✕Converting empty office building to temporary housing
6. ✓General fund to purchase individual properties on the open market
7. ✕Grant funding the Local Housing Company to purchase homes to be used as temporary accommodation
8. ✓Purchasing back properties previously sold under the RTB when they are offered back to the Council
9. ✕Purchase buildings through auction
10. ✕New build
11. ✕Modular units
12. ✓Increasing incentives to private sector landlords
13. ✕Reserving CBC permanent homes specifically for homeless households via the Gateway to Homechoice
14. ✓Process changes to the way CBH administer Gateway to Homechoice

All options are detailed below.

Option	Advantages	Disadvantages	Additional Notes
<b>Lease from another organisation</b>	Properties could be used as and when required and can provide flexible accommodation for families and singles. Management and support provided by organisation.	If CBC no longer uses in future always danger that then used by other L.A.s Rents may exceed HB levels and require additional top-up from CBC.	Could be cost neutral (for the client) if rent is covered by HB but will require additional service charge to be paid. May need a 'top up' for management and support costs.
<b>Use council permanent housing as temporary accommodation</b>	Quick to implement.	Fewer permanent homes available to move homeless households into. Increased management cost through higher level of turnover and so higher voids and repairs.	No legal reasons bar to the Council using some of its housing stock as temporary accommodation. There is a specific provision in the Housing Act 1985 that provides for a separate, more restricted security of tenure for tenants housed temporarily under

Option	Advantages	Disadvantages	Additional Notes
		Households may not feel settled in these homes and so care for their home in the same way. Higher level of turnover and so higher voids and repairs.	homelessness duty. Tenants are excluded from the rights of secure tenants.
<b>Convert a sheltered housing to temporary accommodation</b>	Council in full control.  Council can specify works required and quality.	Loss of sheltered reduces housing stock required to maintain flow out of temporary. May require withdrawal of sale of empty sheltered and loss of capital receipt to HRA but cost saving to General Fund. Cost of moving tenants out of an occupied scheme circa £8,000 per tenant (value of payments specified in legislation). 12-18 months before scheme empty and any conversion works can begin.	
<b>Convert large property purchase via General Fund</b>	Council has control over what is supplied.	Long term solution as would need to find suitable building and refurbish. Conversion can be expensive. May require change of use under planning law If deemed HMO will need to meet HMO regulations. No HRS funding available so would have to consider how accommodation would be managed.	Could use Hargood Close as a template. Would need to factor in support costs. Could retain Creffield Road for the medium term. The Council currently leases properties to other organisations (NACRO and Family Mosaic) not fully used but could be brought back into management as temp for a higher yield. Could convert hard to let properties (eg: Docker Court)– if replaced by investment in new development in partnership with HA
<b>Convert empty office building</b>	Planning permission not required (but see note regarding	May not be popular with neighbours	Lack of availability of suitable office buildings.

Option	Advantages	Disadvantages	Additional Notes
to temporary housing	permitted development rights <sup>5</sup> . Council in control of rents and charges. Gives Council flexibility to dispose and generate an income to the general fund if no longer required.	Speed of implementation may not meet CBC's implementation timeline. Change of use and standards set by PSH may be expensive.	Would be in competition with private developers who would be developing on a for sale model post conversion. Conflicts with other Corporate policies regarding economic growth
General fund to purchase individual properties on the open market	<p>Relatively quick solution.</p> <p>Would be more cost effective than developing new build and more certainty around costs.</p> <p>Increase in asset base and potential increase in resale value.</p> <p>Gives Council flexibility to dispose and generate an income to the general fund if no longer required</p>		<p>The new tax implications on buy to let landlords could generate a supply of buy to let properties to the market within the next 12 months.</p> <p>Potential to use RTB receipts @30%</p> <p>As at end May 2017: 2 bed Open market sale properties: <u>Flats</u> £110k-£130K = 5 properties for sale (£110K was cheapest on market) £131k-£150K =23 properties (includes significant number of ex-CBC flats – would make sense to buy these over other leasehold) 3 bed open market sale <u>Houses</u> £155k-£160k= 2 £161k - £200k= 23 (including several ex CBC properties so we know the layout and have other props in management nearby) See below for estimated costs</p>

<sup>5</sup> Permitted development rights is a scheme put in place by the government to allow certain types of [change of uses](#) to be carried out without the need to apply for planning permission. One of them being **change of use from an office use to residential use**.

This makes the whole process much simpler and straight forward. Those wishing to convert offices still need to submit plans and supporting documents and make a Prior Approval application seeking consent from the council.



## Open market costs

	<b>Purchase price</b>	<b>30% cap receipts</b>	<b>cost to LA</b>	<b>costs to bring to lettable standard</b>
4 x 3 bed houses	£760,000	£228,000.00	£532,000.00	Dependent upon individual properties
12 x 2 bed flats	£1,740,000	£522,000.00	£1,218,000	Dependent upon individual properties
Total	£2,500,000	£750,000.00	£1,750,000.00	Dependent upon individual properties

<b>Option</b>	<b>Advantages</b>	<b>Disadvantages</b>	<b>Additional Notes</b>
<b>Grant fund the LHC to purchase homes to be used as temporary accommodation</b>	LHC could access loan finance from CBC.	LHC not fully established yet – speed of implementation may not meet CBC's implementation timeline.	The CBC loan to the Housing Company would need to be given a loan at state aid compliant rates. Repayment would be from the revenue stream generated. Covenants or some form of agreement would need to be in place to ensure that the properties were used as temporary accommodation until the loan is repaid and that the rents remain within LHA levels.
<b>Purchasing back properties previously sold under the RTB when they are offered back to the Council</b>	Council has control of final product  Flexibility as can be used as permanent accommodation when no longer require as temporary accommodation.	Very few properties offered back.  Supply of buy backs unpredictable  Condition often requires significant investment to bring to lettable standard  May not be viable if rents capped at LHA levels.	
<b>Purchase buildings through auction</b>	Council in control of rents and service charges (subject to viability)	Risk of unknown works	Two retained buildings at the Garrison are about to go to auction as are university flats at Avon way.

Option	Advantages	Disadvantages	Additional Notes
	<p>Gives Council flexibility to dispose and generate an income to the general fund if no longer required</p> <p>Cheaper than open market purchase</p>		Potential for investment and improvement through Property services.
<b>New Build</b>	<p>Accommodation can be designed and built exactly to requirements</p> <p>If L.A. owned – full control over occupation sits with Council.</p> <p>Council in control of rents set and service charges</p> <p>Council/ALMO manages</p>	<p>Outcomes will take a long time. At least 2 years or more from scheme inception to completion.</p> <p>Will need to find a suitable site.</p> <p>There may be opposition from ward members and neighbours.</p> <p>No HRS funding available so would have to consider how accommodation would be managed.</p>	<p>Would need a robust exit strategy if no longer required.</p> <p>Would need to assess viability taking into account the LHA cap and whether could be classed as supported accommodation and therefore eligible for LHA top-up from County. But risk if County will not pay.</p> <p>Comes away from agreed strategy to dispose and work with partner to provide and support.</p>
<p><b>Modular units on sites not yet developed by Local Housing Company</b></p> <p>(such as portakabin/Container type properties provided in Chelmsford and LB Ealing)</p>	<p>Cost efficient compared to permanent structures.</p> <p>Units can be portable, so transferred elsewhere when no longer required.</p> <p>The units can be quickly installed.</p> <p>Would maximise the use of vacant sites whilst housing company being established if on CBC land.</p> <p>If L.A. owned – full control over occupation sits with Council.</p>	<p>Will require planning permission – may delay implementation.</p> <p>Will require procurement exercise to supply units – again may delay implementation.</p> <p>Modular may not be suited to small sites that are not easily accessible.</p> <p>May not be value for money if units are not manufactured in volume.</p> <p>Could attract negative press and</p>	<p>This is a relatively new concept so it may be prudent to wait to see how Ealing and Chelmsford get on.</p> <p>Actual costs for Chelmsford and Ealing to be confirmed but Cabinet paper in Ealing specifies a budget of £1.15m for up to 50 modular homes. Ealing were exploring purchase and leasing options.</p> <p>Chelmsford issued a tender for £1.5m to supply the modular units, but number of units that would supply unclear.</p> <p>The company that Chelmsford used:-</p>

Option	Advantages	Disadvantages	Additional Notes
	<p>Council in control of rents set and service charges (would need to cover costs)</p> <p>Council/ALMO manages.</p>	<p>objections from neighbours.</p> <p>Could require a more intensive management solution than individual street properties which are purchased/leased</p> <p>No HRS funding available so would have to consider how accommodation would be managed.</p> <p>There could be a time limit that households can occupy this type of accommodation. (Ealing's units are only for a maximum of 6 weeks)</p>	<p><a href="http://www.mac-containers.co.uk/temporary-container-housing.htm">http://www.mac-containers.co.uk/temporary-container-housing.htm</a></p> <p>There are 'higher quality modular builds available but won't necessarily be cost efficient for Colchester. For example, Ladywell in Lewisham have a modular building which is temporary for 5 years, but they cost £156k per unit.</p> <p>Costs are equivalent to new build through HA</p>
<b>Reserving CBC permanent homes specifically for homeless households via the Gateway to Homechoice</b>	<p>Practice already undertaken by other L.A.s within G2H</p> <p>Helps with flow through temporary accommodation</p> <p>Can help house households that need a property type that rarely becomes available</p>	<p>Homelessness could be perceived as a fast route to rehousing</p>	<p>CBH are already using the Allocations Policy to give homeless households a higher banding (see table below) than in previous years.</p>

Year	A3 - Accepted Homeless In Severe Need		B4 - Accepted Homeless Cases		B5 - Applicants Threatened With Homelessness		Total
	Band A	Band B	Band A	Band B	Band A	Band B	
2015/2016	4	0	7	121	0	23	155
2016/2017	58	0	60	46	1	9	174

	Number of households (000s)	Households accepted as homeless 2016-2017				Housing Stock				
		Total accepted	Number per 1,000 households	Total in temp	Number per 1,000 households	Local Authority	Private Registered Provider	Other public sector	Private sector	Total
Chelmsford	73,119	337	4.61	343	4.69	40	10,060	50	63,650	73,800
Basingstoke and Deane	73,645	107	1.45	119	1.62	0	13,270	130	59,970	73,360
Huntingdonshire	73,760	253	3.43	129	1.75	0	9,600	120	64,700	74,420
Aylesbury Vale	75,782	161	2.12	15	0.20	0	10,820	410	66,290	77,520
Bath and North East Somerset	76,313	86	1.13	32	0.42	0	11,340	0	67,590	78,930
<b>Colchester</b>	<b>76,816</b>	<b>325</b>	<b>4.23</b>	<b>204</b>	<b>2.66</b>	<b>6,040</b>	<b>4,900</b>	<b>960</b>	<b>66,700</b>	<b>78,610</b>
Barking and Dagenham	77,025	543	7.05	1,844	23.94	18,120	4,730	0	51,070	73,910
Basildon	77,107	180	2.33	418	5.42	10,860	5,840	20	60,230	76,940
St. Helens	78,156	84	1.07	13	0.17	0	17,400	0	64,270	81,670
Southend-on-Sea	78,426	126	1.61	99	1.26	6,010	3,430	0	70,260	79,700
Peterborough	79,103	664	8.39	242	3.06	10	15,740	520	65,140	81,400

Source: DCLG Number of households - 2012-based household interim projections for 2016. Local authority stock includes stock owned by other L.A.s

	Houseprices			Monthly private sector rents	Ratio house prices to income	% hb claimants in employment	unemployment rate 15/16	New build 2016/17		
	Apr 17	Apr-16	Difference (+)					Total	Private	RP
Chelmsford	£319,259	£302,313	5.60%	£891	10.4	26	3.8	760	570	190
Basingstoke and Deane	£308,818	£287,953	7.20%	£884	9.3	29	3.7	550	300	250
Huntingdonshire	£250,895	£226,791	10.60%	£723	8.8	22	2.8	520	470	50
Aylesbury Vale	£330,174	£302,903	9.00%	£892	10.8	32	3.3	1160	960	200
Bath and North East Somerset	£328,949	£312,542	5.20%	£1,096	11.9	28	4	700	530	160
<b>Colchester</b>	<b>£253,618</b>	<b>£228,833</b>	<b>10.80%</b>	<b>£728</b>	<b>9.2</b>	<b>27</b>	<b>3.9</b>	<b>690</b>	<b>610</b>	<b>90</b>
Barking and Dagenham	£285,085	£266,744	6.90%	£1,099	10.1	36	9	360	150	210
Basildon	£298,720	£271,088	10.20%	£904	9.2	22	4.6	220	210	10
St. Helens	£118,904	£114,743	3.60%	£504	5.4	15	5.8	270	240	30
Southend-on-Sea	£261,827	£242,109	8.10%	£751	9.1	28	5.6	230	140	90
Peterborough	£176,459	£164,702	7.10%	£581	7.0	27	4.5	770	660	110

Source NHF – columns 2-8; DCLG - columns 9-11: Monthly private sector rents based on mean values 2015/2016

