

Decision Maker: EXECUTIVE

Date: Wednesday 9 January 2013

Decision Type: Non Urgent Executive Key

Title: REDUCING TEMPORARY ACCOMMODATION INVEST TO SAVE PROJECT (BELLEGROVE)

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Chief Officer: Executive Director of Education & Care Services

Ward: (All Wards);

1. Reason for report

This report advises on the invest-to-save requirements for the proposed use of Bellegrove, a formal residential home, as temporary accommodation to enable the Council to meet its statutory housing duties and to assist towards reducing the significant cost incurred by the Council as a result of the increased use of nightly paid accommodation to meet statutory duties.

2. **RECOMMENDATION(S)**

2.1 The Executive are asked to formally approve:-

- (i) The use of Bellegrove as temporary accommodation to meet the Council's statutory housing obligations under the homelessness legislation.
- (ii) The invest-to-save bid, as previously approved by the Members Strategic Asset Management Group, for the refurbishment and associated fees to bring Bellegrove to a suitable standard for this purpose.
- (iii) The use of Orchard & Shipman to oversee the project through the planning and refurbishment process, and then to lease and manage Bellegrove as temporary accommodation under the existing leasing scheme agreement which was approved by the Executive in December 2010.

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Children and Young People Quality Environment Safer Bromley Supporting Independence: Further Details
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Financial

1. Cost of proposal: Fees - £40K, refurbishment work £360K:
 2. Ongoing costs: Non-Recurring Cost: These are one off costs which would be recouped through the rental stream during the life of the project.
 3. Budget head/performance centre: Sara Bowrey – Housing Needs, temporary accommodation.
 4. Total current budget for this head: £2, 516,190 approved controllable budget for Housing Needs
 5. Source of funding: Invest to save (the preparatory at risk work leading to planning application is currently being underwritten through the housing capital budget to enable progression of the project)
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Staff

1. Number of staff (current and additional): 4.5 FTE in relation to temporary accommodation
 2. If from existing staff resources, number of staff hours: This relates to the existing work in relation to temporary accommodation. The project management of this scheme will be included within the overall workloads relating to temporary accommodation within the service.
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Legal

1. Legal Requirement: Statutory Requirement: The Council has a number of statutory obligations in relation to homelessness, including the provision of temporary accommodation. The suitability and standard of accommodation provision is also set out in statute.
 2. Call-in: Applicable: Further Details
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 4000+ households approach annually for housing advice and assistance. More than 2000 of these face potential imminent homelessness. A significant proportion of these applicants will require temporary accommodation under the provisions of the homelessness legislation, either as a short interim measure or until longer term settled accommodation can be secured to discharge the full statutory rehousing duty. There are currently just under 700 households in all forms of temporary accommodation, with approximately 50% of these being accommodated in properties which have had to be secured through costly nightly paid rates.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: Ward councillors for the area in which Bellegrove is situated were contacted at the initial analysis stage to provide a briefing of the potential use of

the property. This has been further detailed through the Members housing working group. There has been overall support provided for the proposal given the current need for accommodation, with reference made to ensuring that good levels of housing management are in place for the units. More detailed consultation with ward councillors and local residents will obviously take place during the planning process.

3. COMMENTARY

Background

- 3.1 As previously reported, due to the current economic and housing market situations there has been a dramatic rise in statutory homelessness.
- 3.2 The homeless prevention and housing options approach which succeeded in achieving year on year reductions in homelessness and temporary accommodation use in Bromley, simply cannot keep pace with the current level of housing need. The position is particularly acute given the current restrictions on accessibility to owner occupation and social housing and spiralling private rental prices. This has resulted in a lack of available affordable housing supply across all housing sectors.
- 3.3 The overall impact has been a significant increase in the use of temporary accommodation being reported by all London boroughs, and in particular the use of expensive nightly paid accommodation (NPA) arrangements – with the cost of this accommodation essentially reflecting the difference between local housing allowance/temporary accommodation subsidy levels and what landlords are able to obtain when letting on the open market.
- 3.4 This has caused cost pressure of around £1.2m (FYE) which is likely to increase further as the impact of welfare reform is felt. There are also a number of associated additional workloads and resource pressures arising from the volume of invoices, visiting and accommodation charge collection associated with the increased use of nightly paid accommodation. This position is likely to be further exacerbated as a result of the forthcoming welfare reform changes.
- 3.5 It is therefore necessary to urgently source alternative, more cost effective temporary accommodation units to reduce this overall cost pressure and meet statutory duties.
- 3.6 The Bellegrove proposal forms one of a number of identified actions to secure more cost effective temporary accommodation and also a range of longer term settled housing solutions. Bellegrove was identified following analysis of vacant units to assess suitability in terms of location and potential to refurbish for this use.
- 3.7 This proposal has been approved by the divisional management team. It has also been approved by the Members Strategic Asset Management Group and supported by the Portfolio Holders for ECS and R&R and the leader of the Council through a range of briefing and housing related meetings.

Proposal details:

- 3.8 The proposal is for the use of Bellegrove as short term, good quality temporary accommodation. The principle aim of the proposal is to provide a relative speedy alternative to costly nightly paid accommodation (NPA) placements arising from increased statutory homelessness, and thus reduce the current budget pressures being faced by the steep rise in nightly paid placements to meet our statutory rehousing responsibilities
- 3.9 The business case not only seeks to reduce the current budget pressure by reducing the level of NPA placements, but also assumes that the refurbishment costs would be met in full through the income stream during the life of the project.
- 3.10 It is hoped that the temporary use of Bellegrove will not only allow time for the housing market to settle, but also for a number of the proposed longer term housing options currently being explored to be put in place thus reducing the overall homelessness pressure and need for use of emergency and short term units.

- 3.11 The refurbishment works would be kept to a minimum to reduce overall expenditure, and also to allow the scheme to be brought on line quickly. As ownership would be retained by LBB, this would allow for disposal or alternative use at a future stage. Given the current position of the property market, the relative value of the building is likely to be improved if disposed of in a few years rather than now.
- 3.12 The proposals include the intention to install interconnecting doors between most of the existing rooms to enable maximum flexibility of use (and optimise savings potential) due to the constant varying profile of the size of households requiring temporary accommodation. Consequently the lease income figure is based on an average of 34 household occupancy. This figure may vary up and down slightly, however the financial modelling has been completed to show a minimum figure. This also takes into account the forthcoming changes arising from welfare reform including the changes to temporary accommodation benefit subsidy levels ensuring that accommodation charges comply with the necessary regulations.

Use of Orchard & Shipman

- 3.13 In light of current housing benefit and forthcoming welfare reform changes, the number of providers working within temporary accommodation is reducing significantly. In addition extreme difficulty is being experienced in securing temporary accommodation units within the temporary accommodation subsidy levels on the private market – resulting not only in a shortfall in units but also requests from providers for the Council to provide a financial top-up for schemes.
- 3.14 In preparation for such a scheme all registered provider partners currently involved in the provision of temporary accommodation in the area were approached and asked whether they would be prepared to work with the Council on such a scheme. Orchard & Shipman were the only partner agency who responded positively.
- 3.15 There is already an existing contract in place with Orchard & Shipman for the procurement, lease and management of temporary accommodation on behalf of the Council. When the contract was signed it was noted that Orchard & Shipman, whilst a private provider, had applied for register provider (housing association) status which has now been granted enabling them to continue to operate the full range of leasing scheme opportunities. The lease and management would therefore fall within the scope of the existing contract with the only variation being the need to cover the fees incurred by Orchard & Shipman to undertake the preparatory work required to take this project through the planning process and oversee the refurbishment work. The leasing partner will then be responsible for all management, maintenance, security, insurance, rental collection and so on.
- 3.16 The use of Orchard & Shipman is proposed due to the urgency with which the project needs to advance, given both the current budget and pressures and fact that as Bellegrove is now vacant there is an associated financial cost to secure the building until work can commence. As Orchard & Shipman are able to proceed with immediate effect and already have a contract in place with the Council to manage and maintain these units, this offers both the most cost effective and expedient way of progressing the project.

4. POLICY IMPLICATIONS

- 4.1 The Council has a published homelessness strategy which sets out the approved strategic policy in terms of homelessness. This includes temporary accommodation provision and reducing any reliance on nightly paid accommodation. The Council already works with a number of providers for the provision of temporary accommodation including a current leasing scheme contract with Orchard & Shipman.

4.2

5. FINANCIAL IMPLICATIONS

5.1 Paragraphs 3.8 – 3.12 of this report provide a summary of the project costs, together with the projected savings of reduced NPA use against the overall current temporary accommodation budget pressures. This project forms one of a number of key actions identified to reduce the overall cost pressure being faced.

5.2 The annual revenue savings to the council based on the latest B&B average costs are shown in the table below:-

Cost of B&B Placements

	No of units	Weekly cost (net of subsidy) £	Annual cost £
1 Bedroom	19	94.51	93,631
2 Bedroom	13	97.69	66,219
3 Bedroom	2	156.49	16,319
	<u>34</u>		<u>176,169</u>

Alternative Accommodation at Bellegrave

Expenditure

Management Fee	70,720
24 hour staffing cover and CCTV	78,800
Voids 15% of overall rental income	41,375
Repairs and maintenance provision	15,000
	<u>205,895</u>

Income

£155.76 wk *34*52 wks	<u>-276,136 **</u>
	<u><u>-70,241</u></u>

Revenue Saving to LBB

246,410

**The income of £155.76 in the table above is based on the single room rate for leasing/NPA schemes which applies to these types of units when leased via a registered provider/housing association

5.3 As set out in the table above the revenue savings that will be generated from using Bellegrave for temporary accommodation is estimated to be in the region of £246k p.a.

5.3 The use of this asset for temporary accommodation means that the council will have forgone the opportunity of generating a capital receipt which was last estimated to be in the region of £1.75m. This money invested at 2% would have generated income of £35,000 p.a., therefore the net revenue saving after loss of interest earnings will be £211k p.a.

5.4 There will be one off funding required for the refurbishment of Bellegrave which will be around £400k. This funding will cover the cost of the refurbishment work required to bring the property to a suitable letting standard and also the associated cost of Legal and surveyor fees, the planning application process and project management of the refurbishment work.

LEGAL IMPLICATIONS

5.4 The council has a statutory responsibility to offer advice and assistance to prevent homelessness, or to assist in securing alternative accommodation wherever possible. Where

this is not possible, the Council has a range of statutory rehousing responsibilities to a number of prescribed groups. This includes the provision of temporary accommodation.

- 5.5 Failure to meet these statutory duties due to lack of, or inappropriate temporary accommodation presents significantly increased risk of costly legal challenge and Judicial Review, involving powers not only to order the acquisition of accommodation, but also compensation and so on.

Non-Applicable Sections:	Personnel Implications
Background Documents: (Access via Contact Officer)	Executive report December 2010: PSL leasing scheme Homeless Strategy 2012 -2017 – Sara Bowrey Half year and annual performance reports to the Portfolio Holder & ECS (formerly ACS) PDS.