

Decision Maker: Executive

Date: For Pre-Decision Scrutiny by the Care Services Policy Development and Scrutiny Committee on Thursday 2nd October 2014

Decision Type: Non-Urgent Executive Key

Title: **TEMPORARY ACCOMMODATION UPDATE – USE OF MANORFIELDS AS TEMPORARY ACCOMMODATION**

Contact Officer: Terry Parkin, Executive Director, Education, Care & Health Services
Tel: 020 8313 4060 E-mail: Terry.Parkin@bromley.gov.uk

Chief Officer: Executive Director of Education, Care & Health Services

Ward: Orpington

1. Reason for report

This report advises on the invest to save requirements for the proposed use of Manorfields, a former residential home, as temporary accommodation to enable the Council to meet its statutory housing duties and to assist towards mitigating 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 **Care Services PDS are asked to comment on the proposals outlined in this report.**

2.2 **Executive is asked to approve:**

- a) **The use of Manorfields as temporary accommodation to meet the Council's statutory housing obligations under the homelessness legislation.**
- b) **Capital funding requirements for refurbishment and associated fees to bring Manorfields to a suitable standard for this purpose.**
- c) **The use of Orchard and Shipman to oversee the project through the planning and refurbishment process, and then to lease and manage Manorfields as temporary accommodation under the existing leasing and temporary accommodation management 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 Excellent Council Quality Environment Safer Bromley Supporting Independence:
-

Financial

1. Cost of proposal: £563,437 planning, fees and refurbishment work.
 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: Housing Needs Temporary Accommodation
 4. Total current budget for this head: £4,576,710 approved controllable budget for operational housing.
 5. Source of funding:
-

Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours:
-

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
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Around 6,000 households approach annually at risk of homelessness. There are currently around 900 households in temporary accommodation to whom the council owes a statutory duty, of which around 480 are in costly forms of nightly paid accommodation.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: Full consultation is taking place with ward councillors throughout proposals, planning and development stages. This includes visiting the current scheme at Bellegrave to gaining a detailed understanding of how the proposed unit would be managed.

3. COMMENTARY

Background

- 3.1 The number of households approaching at risk of homelessness has risen dramatically during recent years. Simultaneously, the supply of suitable affordable accommodation across all tenures available to enable the Council to meet its statutory housing duties has reduced, both in terms of new build, housing association re-lets and access to the private rented sector in response to market factors and welfare reform.
- 3.2 This means that, despite the significant work undertaken by officers to prevent homelessness and access a range of alternative housing options, diverting around 90% of initial approaches, the number of statutory homeless households having to be placed in temporary accommodation has continued to rise.
- 3.3 The growing reliance on temporary accommodation to meet the increased demand until permanent housing solutions become available is reflected across London and the Southeast as a whole. Rising property and rental prices against the restrictive temporary accommodation subsidy regime and welfare reform has also resulted in an increased proportion of temporary accommodation only being able to be secured on a costly nightly paid rate basis – effectively topping up rental levels to match market rents. Currently 480 out of 898 placements have had to be secured on a nightly paid basis within an overall average cost to the Council of £6,500 per household per year.
- 3.4 This has moved the provision of temporary accommodation for statutory homeless households from a largely cost neutral position to a full year cost of around £5.23m as numbers and nightly rates continue to rise. 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.
- 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 Manorfields 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. Manorfields was identified following analysis of a number of vacant units to assess suitability in terms of potential to refurbish for this use based on the model previously developed for Bellegrave.
- 3.7 Bellegrave has successfully operated as temporary accommodation provision since November 2013, providing accommodation for on average 35 households at any one time. The scheme has been well maintained and managed, with the predicted savings now being realised against nightly paid accommodation rates.

The proposal:

- 3.8 The proposal is for the use of Manorfields as short terms reasonable quality temporary accommodation. The principle aim of the proposal is to provide a relatively speedy alternative to nightly paid placements and thus help to mitigate a level of the current cost pressures being faced in meeting the Council's statutory rehousing responsibilities.
- 3.9 It is hoped that the temporary provision of an additional 44 units at Manorfields will not only allow time for the housing market and impact of welfare reform to stabilise, but also for a number of the proposed longer term options currently being explored to be put in place to reduce the overall temporary accommodation pressure.

Financial summary	£000
<i>Total cost of refurbishment work</i>	<i>£492,515</i>
<i>Total cost of fees</i>	<i>£70,922*</i>
<i>Full year average revenue saving against NPA net costs</i>	<i>£262,959**</i>
<i>Full year lease income</i>	<i>£59,365***</i>
<p><i>* Some costs will be incurred to get the proposal through the planning application and, for speed, due to urgency, to complete detailed specifications and tender works concurrently with planning application/decision process. Given the potential financial benefits of this proposal a sum of £40K has been agreed to cover fees including these costs on an 'at risk' basis'.</i></p> <p><i>**The identified savings show the average annual saving from the reduced use of NPA accommodation based on current average net costs.</i></p> <p><i>***The lease income is based on average occupancy levels and is calculated as the net income minus all management and maintenance costs including repairs, insurance, voids/bad debt risks, CCTV and staffing resources.</i></p>	

- 3.10 The above provides a financial summary of the project costs based on the current draft specification against the initial survey working on a basic five year lifespan. The refurbishment work would be kept to a minimum focusing only on statutory standards to reduce overall expenditure and to bring the scheme on line as quickly as possible.
- 3.11 The proposals include the intention to install interconnecting doors to enable flexible use to best meet statutory rehousing duties in terms of varying household size against nightly paid costs with an overall average occupancy of 44households. This may change slightly dependent upon housing needs, with the financial model showing the minimum level of anticipated return.
- 3.12 If approved the planning application process and refurbishment is likely to take between 5 and 6 months.
- 3.13 As ownership would be retained by the Council, this would allow for disposal or alternative use at a future stage.
- 3.14 Manorfields Care Home occupies a site of 1.5 acres. It was offered for sale in 2013 and the offers received were reported to the Resources Portfolio Holder following pre-decision scrutiny by the Executive and Resources PDS Committee in July 2013. Following further investigation of various issues relating to the offers the Portfolio Holder decided in January 2014 that Manorfields should be retained to allow consideration of whether it should be used to meet service needs.
- 3.15 It is estimated that the value of this site for residential development would be in the region of £2.9million.

Use of Orchard & Shipman

- 3.16 In light of welfare reform, the number of providers working within temporary accommodation provision has reduced significantly. In addition, extreme difficulty is being experienced in securing temporary accommodation units within temporary accommodation subsidy levels in the private rented market resulting not only in a shortfall in units but also increased pressure on the Council to make up the difference between subsidy levels and market rents.

- 3.17 In preparation for developing alternative temporary accommodation provision models all registered providers involved in providing temporary accommodation for Bromley were approached and asked if they would be prepared to work with the Council on such schemes. Orchard and Shipman were the only partnership agency that responded positively.
- 3.18 There is an existing contract in place with Orchard & Shipman for the procurement and management of temporary accommodation on behalf of the Council. The management of Manorfields as temporary accommodation provision 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 work specification, planning application and oversee the refurbishment work in the same way as operated previously for the refurbishment of Bellegrave.
- 3.19 The use of Orchard and Shipman is therefore proposed due to the urgency with which the project needs to advance due to the current budget pressures. In addition this proposal provides a level of efficiencies gained as Orchard and Shipman will be able to spread the management and staffing costs across both Manorfields and Bellegrave offering a level of savings against overall management costs across the 2 schemes whilst maintaining the required level of management and security for this type of scheme.
- 3.20 As Orchard and Shipman are able to proceed with immediate effect and already have a contract in place with the Council, this offers both the most cost effective and expedient way forward.

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.

5. FINANCIAL IMPLICATIONS

- 5.1 Paragraphs 3.8 – 3.15 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 average costs are shown in the table below

Manorfields

Saving of B & B Placements

	<u>No. of units</u>	<u>Weekly cost</u> <u>(net of subsidy)</u>	<u>Annual</u> <u>Cost</u>
		<u>£</u>	<u>£</u>
Studio	9	584.19	30,378
1 bed	11	1187.34	61,742
2 Bed	19	2397.42	124,666
3 Bed	5	887.95	46,173
	<u>44</u>		<u>262,959</u>

Alternative Accommodation at Manorfields

Costs

Management fee	93,600
Staffing	56,643
Arrears/bad debts	37,496
Maintenance/utilities, etc	131,166
	<u>318,905</u>
Income generated from Housing Benefit and other minor income	378,270
	<u>59,365</u>
<u>Revenue saving to LBB per annum</u>	<u>322,324</u>

- 5.3 As set out in the table above the revenue savings that will be generated from using Manorfields for temporary accommodation is estimated to be in the region of £322k per annum
- 5.4 The use of the asset for temporary accommodation means that the council will have forgone the opportunity of generating a capital receipt which is estimated to be in the region of £2.9m. This money invested at 2% would generate income of £58,000 p.a., therefore the net revenue saving after the loss of interest earnings will be £264k
- 5.5 There will be one off costs required for the refurbishment of Manorfields which will be around £563k. This funding will cover the costs of the refurbishment works required to bring the property to a suitable letting standard and also the costs of the associated legal, planning, surveyors fees and project management costs
- 5.6 The report proposes that the funding of the Manorfields project is met from the Councils 2014/15 central contingency sum on the basis that future savings will be reflected in updated financial forecasts. There may be further calls on the cost of homelessness in 2014/15 and the position will be closely monitored.
- 5.7 The latest forecast for this area tabled below. Since the last forecast it is assumed that the homelessness increase continues beyond 2016/17.

HOMELESSNESS BUDGET PROJECTION

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
PROJECTED OVERSPEND 2014/15 (INCLUDING FULL YEAR EFFECT IN 2015/16)	653	1,122	1,122	1,122
16 NEW B&B PLACEMENTS (APRIL 2015 TO MARCH 2016) BASED ON AN AVERAGE OF £8,000 PER PLACEMENT BASED ON LATEST PROJECTIONS WHICH CAN BE VOLATILE		768	1,536	1,536
16 NEW B&B PLACEMENTS (APRIL 2016 TO MARCH 2017) BASED ON AN AVERAGE OF £8,000 PER PLACEMENT BASED ON LATEST PROJECTIONS WHICH CAN BE VOLATILE			768	1,536
16 NEW B&B PLACEMENTS (APRIL 2017 TO MARCH 2018) BASED ON AN AVERAGE OF £8,000 PER PLACEMENT BASED ON LATEST PROJECTIONS WHICH CAN BE VOLATILE				768
ESTIMATED OVERSPENDS	<u>653</u>	<u>1,890</u>	<u>3,426</u>	<u>4,962</u>
COST OF MANORFIELDS PROJECT *	563			
POTENTIAL SAVINGS FROM MANORFIELDS **		- 295	- 322	- 322
INCOME FOREGONE FROM DISPOSAL OF ASSET (£2.9M X 2% P.A.)		53	58	58
CONTINGENCY AVAILABLE	- 1,200	- 2,800	- 3,800	- 4,800
DEFICIT/(SURPLUS)	<u>16</u>	<u>- 1,152</u>	<u>- 638</u>	<u>- 102</u>

* THE SAVINGS FROM THE MANORFIELD SCHEME WILL EFFECTIVELY 'PAY BACK' THE COST OF THE PROJECT IN 2 YEARS

** ASSUMES THAT IT WILL BE OPERATIONAL FROM MAY 2015

6. LEGAL IMPLICATIONS

- 6.1 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.
- 6.2 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
Background Documents: (Access via Contact Officer)	<p>LB Bromley Homelessness Strategy 2012 – 2017 LB Bromley Unitary Development Plan 2006 LB Bromley Affordable Housing Supplementary Planning Document 2008</p> <p>Renewal & Recreation Portfolio 2014-15 Business Plan EC&HS Department 2014-15 Portfolio Plan Allocation of Affordable Housing PIL Funds – Care Services Committee, 4th September 2012 Payment in Lieu: Framework and Allocation Process (6th February 2013, Executive Committee) Affordable Housing PIL Fund: Capital Funding Bid- 13th March 2013, Executive Committee Residential Property Acquisitions: Capital Funding Proposal- 24th July 2013, Executive Committee Addressing Rising Homelessness and Housing Need and Associated Budgetary Pressures (ACS11053) EC&HS PDS and Executive report October 2013 & 2014 – Homelessness pressures and contingency draw down.</p>