

Classification: Public

Key Decision: Yes

Gravesham Borough Council

Report to: Cabinet

Date: 06 November 2023

Reporting officer: Daniel Killian, Director (Housing)

Subject: Property Purchase to alleviate Temporary Accommodation Pressures

Purpose and summary of report:

To seek Cabinet approval to progress a number of property purchases (60 in total) across two development schemes within the Borough that will be used to increase the overall provision of social housing in the longer term but in the immediate term provide temporary accommodation to help reduce the increasing need for expensive night paid accommodation, and in doing so, help stabilise the Council's financial position in terms of temporary accommodation spend.

As this proposal is being progressed in-year, if approved by Cabinet, the Council's approved 2023/24 Capital Programme will need to be amended, which is a decision for Full Council.

Recommendations:

1. Cabinet delegates authority to the Director (Housing) in consultation with the Section 151 Officer and Lead Member to undertake all the necessary practical, financial and legal steps to purchase the new properties as outlined within the report.
2. Cabinet recommends to Council to agree to amend the 2023/24 Capital Programme

Key Implications:	
Item	Implications
Legal	The Council has a duty under the Homelessness Reduction Act 2018 to prevent and relieve homelessness. Where homelessness cannot be prevented and cases move to relief duty, temporary accommodation (TA) may be needed until alternative settled accommodation is secured or the relief duty ends.
Finance and Value for Money	The purchase of 60 x 1 and 2-bed units would make a potential saving on temporary accommodation of circa, £770,136 (net) per year based on current demand/spend. The anticipate income from these new units will cover the cost of borrowing.
Corporate Plan	#onecommunity Ambitious building - tackle the housing challenge by developing a diverse build programme that increases the supply of high standard and energy-efficient market and affordable housing.

	<p>Progressive landlord: an effective housing service, providing comprehensive tenant choice and protection, defined by positive, efficient, and supportive management and engagement.</p> <p>Safeguarded residents: provide for our most vulnerable residents with a package of timely housing measures and supportive safeguarding interventions that deliver healthy, independent living.</p> <p>#onecouncil</p> <p>Financial innovation: design a commercial programme that supports our services, whilst meeting our ethical commitment to providing a local social and environmental impact.</p> <p>Continuous improvement: develop a best practice authority, where a programme of corporate improvement designs innovative services, delivering the best possible community outcomes at the best value.</p>
Climate Change	Properties purchased will meet minimum energy standards expected for social rented properties.

1. Introduction

- 1.0 The Council has a duty under the Homelessness Reduction Act 2018 to prevent and relieve homelessness. Where homelessness cannot be prevented and cases move to relief duty, temporary accommodation (TA) may be needed until alternative settled accommodation is secured or the relief duty ends.
- 1.1 There has been an increase in the number of placements made in temporary accommodation and due to difficulties in accessing the private rented sector and it being affordable, there has been a steady rise in the use of expensive nightly paid accommodation.
- 1.2 This has considerably, and negatively impacted the temporary accommodation budget contained within the Council's General fund. The table below sets out the number of households, as a snapshot, on 01 September each year, in temporary accommodation from 2019 to 2023.

Year	2019	2020	2021	2022	2023
Households	79	103	149	191	210

- 1.3 Whilst there has been an increase in temporary accommodation (TA) placements, it's important to note that not all households seeking housing assistance from the Council will be placed into TA, and this will only happen if the household is deemed to be in priority need as per the legislation. The table below sets out the number of households that approached the council for assistance over the last two quarters of this financial year, the number placed into TA and how this equates in percentage terms:

	April	May	Jun	Jul	Aug	Sep
No of Homeless Approaches	141	162	163	182	162	139
No of TA placements	20	11	21	17	20	19
% of approaches resulting in a placement	14%	7%	13%	9%	12%	14%

- 1.4 Difficulties in accessing private sector accommodation are exasperated by other local authorities procuring accommodation within Gravesham where it is more affordable for them to do so when compared to their local authority area. For example, it is known that some London Boroughs have procured temporary accommodation locally, and in particular, the London Borough of Bexley, and despite the Leader of the Council making contact with their counterpart in these Boroughs robustly stating Gravesham's position, asking them not to add to the ever-increasing problem every authority is grappling with, it is understood that it continues.
- 1.5 Since April 2022, the Head of Housing Solutions has been regularly reporting to Management Team to confirm the monthly position and it is apparent that each month temporary accommodation placements are rising despite increasing the resources in the Temporary Accommodation Team to ensure income is maximised, which it has, it continues to be a significant pressure and therefore, it is essential to take action now to help with the financial stability of the Council and to protect cuts in other service areas of the Council that are non-statutory.

2. Temporary Accommodation Demand/Need (TA)

- 2.1 Gravesham currently have 221 households in temporary accommodation (as of 12 October 2023) of which 64% are in expensive nightly paid accommodation by various providers. Gravesham predominately use self-contained units and for some single households, shared HMO accommodation is utilised. The table below sets out the number occupying various property sizes.

Property Size	1 bed	2 bed	3 bed	4 bed	5 bed
Number of Households	32	128	44	13	4

- 2.2 In reviewing the local housing rental market, it became apparent that affordability in the private sector is most acute for those households seeking 1- and 2-bedroom accommodation, as the local housing allowance, is not sufficient to cover the expected monthly rent and is likely to be the reason why this cohort account for 72% of the total households in temporary accommodation. In contrast, for larger properties, the difference between market rent and local housing allowance decreases and the table below demonstrates this by comparing the difference between 2-bed and 4 bed properties:

	LHA rates (PCM)	Average Market rents in Gravesham (PCM)	Difference (PCM)
2-bedroom properties	£845	£1,200	£355
4-bedroom properties	£1,296	£1,400	£104

- 2.3 In addition to an unaffordable private rented sector locally, various factors have impacted the Councils temporary accommodation position as outlined below with additional pressures created by some recent announcements by Kent County Council which include:
- 2.3.1 **The Domestic Abuse Act 2021** – Since this Act was introduced on 5 July 2021 there have been more households presenting to the Council with the main reason of losing their last settled accommodation being due to domestic abuse or violence.
 - 2.3.2 **Private Sector Evictions** – The government's lift on the eviction ban during the Covid-19 pandemic saw an increase of Section 21 notices and evictions taking place. However, since this lift, the market has been challenging with a significant increase in mortgage rates that have subsequently been passed on to the tenant through their rent making the pressure to afford and keep homes difficult for vulnerable households.
 - 2.3.3 **Renters Reform Bill** – Although not yet adopted, the Government has committed to this course of action. The Renters Reform Act, when it becomes law, will place additional requirements on landlords and it is evident that landlords are starting to exit the market before this Bill is enacted thereby reducing accommodation available and increasing the likelihood of homelessness.
 - 2.3.4 **Cost of Living** – Households have been severely impacted by the cost of living crisis, and therefore affected some households in meeting their monthly housing costs, which is in addition to increased rents as outlined in Section 2.3.2. It is noted by the Housing Options Service that over the last 12 months, the demographic approaching the service for housing assistance has changed and they have seen an increase in the number of working households needing help.
 - 2.3.5 **Closure of Supported Accommodation** – Gravesham have lost 13 units of supported accommodation within the borough through the end of Kent County Council's (KCC) Kent Homeless Connect Contract. This contract was in place to help vulnerable people with complex support needs who were homeless or at risk of becoming homeless and used a network of specialist services to prevent homelessness where possible, access suitable accommodation and then maintain it. However, this contract has come to an end due to KCC needing to make significant revenue budget cuts. In addition, the House of Mercy recently closed its supported accommodation for single homeless households which had 20 units. In total, this is a loss to the Borough of 33 much-needed supported accommodation units.
- 2.4 In addition to the current pressures, there are some known additional pressures on the horizon that are likely to impact demand for temporary accommodation, such as:
- 2.4.1 **Care Leavers** – Kent County Council are looking to review their care leavers service and this will ensure KCC are compliant with the new Ofsted Regulations effective from 28 October 2023, and that all 16/17-year-old children receive support to ensure they can live independently by achieving self-supporting independence at 19. Gravesham has the highest number of care leavers within the area and therefore if KCC's proposed changes are approved, this could see an impact of 440 19+ care leavers requiring assistance from the Gravesham Housing Options team.

2.4.2 **Asylum pressures** – As Ukrainian host placements come to an end or relationships break down (currently around 90 placements in Gravesham) there is a risk that rematching will be unsuccessful due to the lack of options for rematching families. Gravesham has put measures in place to mitigate the potential impact of this by participating in the Local Authority Housing Fund (LAHF), partially funded through government grant funding, but the total number of properties that will be realised through this scheme (a total of 11) does not compare to those that may need assistance. In addition, the Home Office is currently using a hotel in the Borough to house 70 asylum seekers. Where positive asylum applications are made the Home Office accommodation support ceases and therefore these households become homeless and can approach the local authority for housing assistance. This combined pressure impacts statutory services and creates a significant risk of increasing demand for temporary accommodation.

3. Mitigating the impact of Increased TA Need

- 3.0 Due to the significant increase in demand for temporary accommodation, officers have been exploring options as to how the council can mitigate the impact as the current spend on expensive nightly paid accommodation is not sustainable given the known wider budgetary pressures the council is experiencing.
- 3.1 These options include increased use of council-owned stock temporarily, partnership working with Housing Associations to access their stock, working with local landlords and agents, the creation of a social letting agency (GBC Lettings) and purchasing properties from the open market all of which are being progressed.
- 3.2 On the latter option, the Director (Housing) has been progressing with discussions with two developers to purchase vacant units before they are advertised on the open market that could be used for temporary accommodation thereby reducing the need for expensive nightly paid accommodation by 60 placements as set out below:
 - 3.2.1 Scheme 1 – Crescent House, Gravesend, 19 x 2 bed units (freehold). This scheme is a conversion of a former snooker hall. An offer has been made and accepted and officers are now working through the due diligence.
 - 3.2.2 Scheme 2 – Northfleet Embankment East, Gravesend, 7 x 1 bed units and 34 x 2 bed units (freehold). The developer is looking to increase the amount of affordable housing (known as additionality) above what was required through the Section 106 agreement. An offer has been made and provisionally accepted but further discussions are required to finalise the detail.
- 3.3 In seeking property opportunities, there has been a focus on increasing access to properties that are the most unaffordable and that account for the majority of the households currently in temporary accommodation – 1 and 2-bed need.
- 3.4 In conjunction with an independent surveyor, officers have been working with the two developers to understand the quality of the product being sold, including compliance with Building Safety requirements and whether or not the investment to purchase these units is value for money.
- 3.5 These discussions are now at an advanced stage, and officers have been reassured so far by the evidence supplied that the quality of the units is of the

expected standard and therefore, a sound investment for the council and suitable for social housing in the longer term.

- 3.6 As discussions are ongoing with the developers, this position could change as could the total cost of purchasing these units. However, assuming all relevant documentation can be provided and nothing changes, and the purchase of the 60 units progresses as planned, the total capital budget requirement would be circa £15.9m including all associated costs with purchasing such schemes. This would be funded through a combination of borrowing, and Home England grant funding.
- 3.7 The purchase of these units would amend the Council's approved 2023/24 Capital Programme and therefore should the Cabinet approve this recommendation, they will need to make a recommendation to the Council to amend the 2023-24 Capital Programme in-year.

4. Budget

- 4.0 As outlined in Section 1 of this report, the demand for temporary accommodation (TA) has increased over the last four years, and currently, there is no indication that this is going to change. The spending on TA is exasperated by the lack of affordable private sector accommodation locally, for reasons set out in this report, and therefore officers are reliant on private providers of nightly paid accommodation.
- 4.1 The table below sets out the current use of nightly paid accommodation (as of 12 October 2023) and includes dwelling size, number of households, and current average gross cost to the council per night:

Dwelling type	No of households	Average cost per night (£)
Room Only	9	£39.17
1 bed	53	£47.11
2 bed	53	£55.52
3 bed	20	£60.15
4 bed	3	£82.67

- 4.2 Although the majority of households being placed into TA are eligible for housing benefits, and the in-house resources have been increased recently to ensure benefits claims are processed as quickly as possible thereby increasing and maximising income, but it is not possible to recover the entire cost due to government policy and a cap on what can be claimed for temporary accommodation through housing benefit.
- 4.3 To help control spending on temporary accommodation, the council needs to move away from expensive nightly paid accommodation and as outlined in section 3.1 of this report, whilst there are several things being progressed to facilitate this, purchasing a substantial number of properties is the only option that will have a significant impact and quickly in comparison to the other options.

- 4.4 Based on current demand and spending, purchasing a mixture of 60 x 1 and 2-bed units will have a positive impact on current and future temporary accommodation spend as outlined in the table below:

Unit Type	Proposed purchase	Gross Average monthly spend on TA per unit type (£)	Net average monthly spend on TA per unit (£)	Annual Net Saving (£)
1 bed	7	1,319	923	77,532
2 bed	53	1,555	1,089	692,604
Total Net Saving (£)				770,136

- 4.5 Taking into account potential income, currently, the average cost to the council per night for a 1-bed unit is £32.96 and for two-bed units, £38.89. The cost to the council to provide the same through the proposed purchase of these properties is zero as the rental payments will be affordable, and aligned to Local Housing Allowance rates.
- 4.6 The need for 1 and 2-bedroom properties as temporary accommodation and indeed, for social housing is the most acute housing demand therefore, the purchase of these units will help alleviate some of the pressures being experienced in the immediate term, and for those on the Housing Register in the longer term.
- 4.7 Currently, Gravesham Borough Council has 1,856 1-bedroom and 1,217 2-bedroom council homes and these rarely become vacant. This year so far, only 159 1-bed and 75 2-beds were offered an introductory or secure tenancy, whilst there are 240 needing a 1-bed property and 297 a 2-bed property on the housing register.
- 4.8 The total purchase price, with on-costs, for the 60 units across two schemes is circa. £15.9m and the anticipated rental income will cover the cost of borrowing. Should Cabinet agree to the purchase as proposed, and Council approve amending the 2023/24 Capital Programme, to assist with this purchase an application will be made to Homes England (HE) for grant funding, which will reduce the council's borrowing requirement by approximately £2.05m
- 4.9 Using the Councils development viability appraisal tool, which takes into account total capital spend, potential grant allocation, borrowing and projected income, it shows that, in summary:
- 4.9.1 The capital loan required to purchase Crescent House will be repaid within 18 years. The annual rental income will cover the annual cost of borrowing.
- 4.9.2 The capital loan required to purchase units on Cable Wharf will be repaid within 22 years. The annual rental income will cover the annual cost of borrowing.

5. Treasury Management Indicators

- 5.0 The cost of purchasing the extra units would increase the Council's total debt by £13.8m. It is important to review the impact of this borrowing on the Council's treasury and prudential indicators which are included in the Annual Treasury Management Strategy Statement (TMSS) and reviewed in the Mid-Year TMSS (which will be presented to the Finance and Audit Committee on 9 November) to

ensure that borrowing remains sustainable and in accordance with the Prudential Code.

- 5.1 The table below shows the increase in capital spend as compared to the current position. The increase in spend for the new units will fall entirely in the current financial year.

	2023/24 Revised Estimate (TMSS Mid Year)	2024/25 Revised Estimate	2025/26 Revised Estimate
Current Position			
Capital Expenditure			
Non HRA	29.670	36.082	2.980
HRA	23.106	15.773	11.427
Total	52.776	51.855	14.407
Additional Spend on HRA Properties £15.9m (£13.85m borrowing, £2.05m Grant)			
	2023/24 Revised Updated	2024/25 Estimate Updated	2025/26 Estimate Updated
Capital Expenditure			
Non HRA	29.670	36.082	2.980
HRA	39.006	15.773	11.427
Total	68.676	51.855	14.407

- 5.2 The table below shows how the Council's capital programme (including the addition of these two properties) will be financed along with the borrowing requirement in the current and future years.

Additional Spend on HRA Properties £15.9m (£13.85m borrowing, £2.05m Grant)	2023/24 Revised Updated	2024/25 Estimate Updated	2025/26 Estimate Updated
Capital Financing	68.676	51.855	14.407
Total			
Financed by			
Capital Receipts	5.797	3.600	1.874
Grants/Contributions	6.617	1.221	1.019
Revenue Grants not yet applied	0.902	0.000	0.000
Reserves	2.273	1.315	0.282
Revenue	5.067	3.823	0.937
MRR	10.594	5.588	5.738
Total Financing	31.250	15.547	9.850
Borrowing Need	37.426	36.308	4.557

- 5.3 The Capital Financing Requirement (CFR) measures the amount of capital spending that has not yet been financed and shows the underlying need to borrow. Being over borrowed exposes the council to potential credit and refinancing risk. The council has recently secured new PWLB debt following the exit of the financial and legal arrangements with Aviva Investors, as a result the current debt position is higher than the CFR. This overborrowed position was identified in the report to Cabinet on 11 September entitled "Interests in land and assets belonging to the council". The additional borrowing to purchase these properties does not make this position any worse as it is directly linked to capital expenditure. The following table shows the Council forecast debt position compared to its CFR.

Additional Spend on HRA Properties £15.9m (£13.85m borrowing, £2.05m Grant)	2023/24 Revised Updated	2024/25 Estimate Updated	2025/26 Estimate Updated
Debt as at 1 April	150.124	204.262	234.32
Expected Debt Change	54.138	30.058	1.61
Total Gross Debt	204.262	234.32	235.93
CFR	195.931	221.508	224.747
(under)/over borrowing	8.331	12.812	11.183

- 5.4 The council's debt limits which it sets within the TMSS have sufficient capacity within them to accommodate taking on this additional borrowing. The authorised limit is £405.77m and is the limit above which external debt cannot exceed. The operational boundary is set at £390.77m and is the debt limit which the council should not exceed.
- 5.5 Ratio of Financing Cost/Net Revenue Stream - This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

Ratio of Financing Cost/Net Revenue Stream	2023/24 Revised Estimate (TMSS Mid Year)	2024/25 Revised Estimate	2025/26 Revised Estimate
Current			
Non HRA	17.89%	37.83%	24.99%
HRA	7.95%	10.09%	10.20%
Additional Spend on HRA Properties £15.9m (£13.85m borrowing, £2.05m Grant)	2023/24 Revised Updated	2024/25 Estimate Updated	2025/26 Estimate Updated
Non HRA	17.89%	37.83%	24.99%
HRA	8.03%	12.51%	12.54%

6. Future Use

- 6.0 As detailed within this report, the majority of the quarterly Corporate Performance Reports and Budget Update Reports to Cabinet for the corporate plan period 2019-23, the demand for temporary accommodation has significantly increased and is showing no sign of decreasing in the immediate future. Action is needed now to mitigate current demand and budget requirements, to help protect other council services.
- 6.1 However, it is hoped that in the future the need for temporary accommodation may reduce and therefore it is important that there is a plan in place to reuse these potential properties for other uses.
- 6.2 With this in mind, it is proposed that these properties will be purchased by the Housing Revenue Account (HRA), and therefore should demand for temporary accommodation decrease in future years, the additional properties owned by the HRA will be used for social housing and housing those on the register. Also, to all those in temporary accommodation, one and two-bed needs make up the majority of those households on the Housing Register, with 32 needing a one-bedroom property and 128 needing a two-bedroom property.

7. Appendices

7.0 There are no appendices.

8. Background Documents

8.0 There are no background documents.

Lead Officer: Daniel Killian, Director (Housing)

Email: daniel.killian@gravesham.gov.uk

Secondary Implications	
Risk Assessment	
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? n/a</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Crime and Disorder	Click here to start typing
Digital and website implications	Click here to start typing
Safeguarding children and vulnerable adults	Click here to start typing