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| Report to: | Cabinet | Date of Meeting: | March 2023 |
| Subject: | Emergency Temporary Accommodation Project | | |
| Report of: | Assistant Director of People (Communities) | Wards Affected: | Borough-wide |
| Portfolio: | Communities and Housing | | |
| Is this a Key Decision: | Yes | Included in Forward Plan: | Yes |
| Exempt / Confidential Report: | No | | |

Summary:

Three properties were originally allocated to, and part of, the Asset disposal Programme (Phase 1) as presented to Cabinet in January 2020. It was agreed that due to Sefton allocation and cost of temporary accommodation solutions that the properties be removed from the Disposal Programme and alternative uses be identified with the focus on the potential for housing (temporary or longer term), subject to evaluation of a robust business case. Where other alternative options are identified, business cases would be developed, evaluated, and presented for member decision.

Two properties are most suited to use as temporary accommodation. In total the Council expects these two buildings to be configured into the following, as temporary accommodation units:

- Site 1, 6 self-contained flats
- Site 2, 7 self-contained flats

Across both sites this would deliver 8 x1-bed units and 5 x2-bed units.

This paper provides an outline strategy for delivering a robust business case and the associated high-level costs. This is the first phase of reviewing the properties for development and, subject to approval, further exercises will commence during the next 6 months.

Recommendations:

That Cabinet:

- (i) Approve the progression of a robust business case for this invest to save proposal and for officers to develop the implementation plan, subject to the completion of

surveys.

- (ii) Approve the development of the financial plan which will include financing the project through one, or a mix, of the following capital funding options:
 - a. Grant funding
 - b. Borrowing
- (iii) Note that progress updates will be provided to Cabinet in Summer 2023.

Reasons for the Recommendations:

- (i) The project will reduce significant Revenue costs in order to use those funds upstream on homeless prevention activities. Increases in homeless prevention will improve outcomes for households in Sefton by preventing evictions and homelessness.
- (ii) Increasing the portfolio of emergency temporary accommodation reduces the need to use nightly rate accommodation (e.g., hotels) which is subject to market demand. At times of high demand for this type of accommodation in Sefton, homeless households may need to be placed out of borough and at higher cost.
- (iii) Both properties are currently out of use and the condition is poor and in need of development.

Alternative Options Considered and Rejected: (including any Risk Implications)

1. Sell the assets on the open market.

Independent valuations (February 2022) of the sites reported that the following capital receipts could be achieved, were the properties to be sold for the conversion of the properties to residential uses.

| | |
|--------|----------|
| Site 1 | £110,000 |
| Site 2 | £225,000 |

Risk: The impact is threefold.

Firstly, there would be the loss of potential accommodation for the most vulnerable in the community as the properties would likely be developed privately and yield unaffordable rents or sold on for profit.

Secondly, with the current cost of living increases it is highly likely that more households will have difficulty covering their accommodation costs leading to more evictions and increased homelessness. If savings on temporary accommodation are not realised, less prevention activity will be delivered.

Finally, temporary accommodation (e.g., hotels or other nightly rate accommodation) is currently funded through grants from the Department for Levelling Up, Housing and Communities (the

Homelessness Prevention Grant). If this grant was to reduce in future years, the cost of providing temporary accommodation to statutory homeless households would fall on the local authority.

2. Purchase similar sized accommodation across Sefton to use as temporary accommodation.

Properties on the open market (December 2022) of similar size and location to the units in this proposal are priced at between £100,000-£130,000 per unit. Based on purchasing 13 units the cost of this option could range between £1.3m-£1.69m.

Risk: The above figure is solely based on purchase price alone and many of the properties will need additional refurbishment work carried out to bring them up to standard. Acquiring this volume of properties could take much longer.

What will it cost and how will it be financed?

(A) Revenue Costs

The current cost of providing this nightly accommodation is funded through the Homeless Prevention Grant provided by DLUHC. For 2021/22 this grant totalled £536,488 and was fully utilised across the Housing Options and Strategic Housing service areas to prevent and relieve rough sleeping and homelessness. The grant allocation for 2022/23 is for the same amount. The current level of spending is unsustainable and has risen by roughly 20% year on year since 2019/20.

The net revenue costs of the preferred option of converting the 2 buildings to 13 self-contained units are anticipated to be £47,500 per annum. There is an estimated saving of up to £227,760 per annum from no longer needing to buy in this accommodation from other operators. Therefore, this results in a net revenue saving – after taking into account the running costs of the new units - of up to £180,260 per annum which could be reinvested back into the service.

(B) Capital Costs

Consultants have carried out a cost estimate exercise itemising build costs which total £951,443 across both sites. Including £92,676 for fees, disbursements etc and £86,494 for risk and contingency (10%).

Capital funding for the project is undetermined. This is an invest to save model and could be funded through grant funding, borrowing or a combination of the two.

External funding will be sought for the capital costs in the first instance. Potential options being explored are to source match funding from agencies such as Homes England and the Department for Levelling Up, Housing and Communities, subject to Council approval.

In the absence of this funding, or the need to provide match funding, the Council will need to borrow. This is estimated to cost £64k per annum assuming a repayment term of 25 years at an interest rate of 4.45%. This would be met from any saving generated by the proposal. If this scenario came to pass, the preferred option would still be cheaper and a more sustainable long

term option than the current position. This could be contained within the current funding received for the service from DLUHC and would allow further investment in front line support.

In the event that the direct Homeless Prevention Grant revenue funding is not received from DLUHC in future, the Council would still need to deliver the service, and would need to find the revenue funding within its core budget. Therefore, the preferred option still represents the best long term option.

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out below, subject to evaluation of a robust business case:

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|---|---|
| Resource Implications (Financial, IT, Staffing and Assets): Property and Facilities Management will work alongside the Housing Options and Strategic Housing services to oversee the work to complete. | |
| Legal Implications: The Chief Legal and Democratic Services Officer will complete legal documentation required for the project. | |
| Equality Implications: No negative equality impacts have been identified at this stage. The project is to increase the amount of accommodation available in the Borough and should have a positive impact on people with a variety of protected characteristics who are affected by homelessness. | |
| Climate Emergency Implications: | |
| The recommendations within this report will | |
| Have a positive impact | N |
| Have a neutral impact | N |
| Have a negative impact | Y |
| The Author has undertaken the Climate Emergency training for report authors | N |
| The recommendation within this report will have a negative impact on the carbon footprint of Sefton Borough. There are the direct emissions which result from the refurbishment of the vacant sites as well as long-term carbon emissions from each new unit of accommodation created. | |
| However, to mitigate some of the impact we will make it a condition of the refurbishment that the developer must install a low carbon heating system at the property. The refurbishment will also be required to go through the planning system which will also help to minimise the carbon impact of the building by applying the nationally required environmental standards. | |

Contribution to the Council's Core Purpose:

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| Protect the most vulnerable: This project will provide emergency temporary accommodation to families that have been evicted from their properties. |
| Facilitate confident and resilient communities: The associated savings of the proposal will provide much needed resources to services to prevent homelessness from happening in the first place and help households to remain in their property rather than facing eviction. |
| Commission, broker and provide core services: Progressing the proposal will increase the Councils temporary accommodation portfolio making discharging statutory duties to homeless Relief cases more efficient. |
| Place – leadership and influencer: Increasing homeless prevention activity from cost savings generated will reduce the associated 'system wide' costs associated with legally evicting households. |
| Drivers of change and reform: Increasing homeless prevention activity from cost savings generated will mean fewer evictions and lessen the need for temporary accommodation in the long term. It will also |
| Facilitate sustainable economic prosperity: Preventing evictions will mean that households are better managing their budget and their accommodation is affordable leading to increased household economic prosperity. |
| Greater income for social investment: Revenue savings can be reallocated to Prevention activity. |
| Cleaner Greener: The properties are currently in a dilapidated state. Delivering this project will bring them back into use and make the properties a positive asset in the community. |

What consultations have taken place on the proposals and when?

(A) Internal Consultations include:

The Executive Director of Corporate Resources and Customer Services (FD.7150/23) and the Chief Legal and Democratic Officer (LD.5350/23.) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable at this stage. Consultation will take place if the project proceeds.

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet Meeting

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|-------------------------|-----------------------------|
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Background Papers:

There are no background papers available for inspection.

Outline Strategy for Delivery

1. Introduction

- 1.1 Due to increasing numbers of households at risk of homelessness approaching the local authority for assistance, the cost of providing nightly paid emergency temporary accommodation has increased significantly over the past 4 years from £17,000 in 2018/19 to over £250,000 in 2021/22.
- 1.2 Historically homeless people in a 'priority need' group could access temporary accommodation at the Council's homeless unit or local commissioned resources, for example, hostels. This was sufficient to meet the need up to 2018/19.
- 1.3 The Council's Homeless Unit has 11 self-contained flats that are consistently occupied. Consequently, accommodation is then sourced from the private sector, which includes B&B providers or other paid nightly accommodation providers. These provisions are subject to market demand which affects costs and availability. For example, during holiday periods the demand for hotel accommodation increases, along with the price per night, making it more difficult to find vacancies.
- 1.4 The Council aims to limit the amount of time that families spend in B&B so sources accommodation with cooking facilities when available, however, often this will be of higher in cost. Single person households, not in a priority need category, can access accommodation through commissioned providers (hostels).
- 1.5 The Council has 2 properties, currently out of use, that have been identified suitable for conversion to residential accommodation. Converting the properties in this way would give the Council an additional 13 residential units to house homeless families or other vulnerable groups, subject to evaluation of the business case.

2. Current Position

- 2.1 The overall condition and appearance of the properties is poor, and they need total refurbishment or redevelopment. Some sites may have a detrimental effect on the local community area because of the outward looking state of the buildings.
- 2.2 The properties have been valued independently, based on current market value (February 2022) for the continuing purpose of their current use as office space. These valuations are:

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|--------------|-----------------|
| Site 1 | £110,000 |
| Site 2 | £125,000 |
| Total | £235,000 |

- 2.3 The valuers stated that if the properties were placed on the open market, it is likely that a higher figure (February 2022) could be achieved for the conversion of site 1 to residential uses. They considered that minimum figures of the following could be achieved for the properties:

| | |
|--------------|-----------------|
| Site 1 | £110,000 |
| Site 2 | £225,000 |
| Total | £335,000 |

3. Indicative Costs

3.1 Estimated capital costs for the redevelopment of the properties are below. These are detailed costs based on a standard of finish. They also include replacing whole items, such as windows, for new. Where replacements are not needed costs could be lower.

| Element | Cost Assessment |
|---|------------------------|
| Construction work total, Site 1 | £351,351 |
| Construction work total, Site 2 | £420,922 |
| Overall Construction Works | <u>£722,273</u> |
| Design Team Fees | £92,676 |
| Overall Construction Works plus fees | <u>£864,949</u> |
| Risk and contingency at 10% | £86,494 |
| Total | <u>£951,443</u> |

3.2 The cost of inflation has not been factored into the above costs. This will be considered in more detail as part of the development of the detailed business case.

3.3 Surveys would need to be completed prior to putting together a programme for completion. The cost of surveys is included in the design team fees above and total £20,642. This will include:

- Structural/building £5,270
- Electrical £3,513
- Asbestos £1,756
- Dry rot £1,756
- Damp £878
- Drainage £1,317
- Fire safety £4,392
- Gas £878
- Party wall £878

3.4 Estimated Revenue costs for the delivery of the proposal are below. These are based on the 5-year average from 2017/18-2021/22. A sinking fund of £13,000 per year has been included to account for the potential refurbishment of the units after 10 years. More detailed costs will be added to a robust business case. This will include specific staffing and/or management costs. Additional Revenue costs will be funded through the Homelessness Prevention Grant (DLUHC).

| | |
|------------------------------|--------|
| | £ |
| Premises Related Expenditure | 42,545 |
| Supplies and Services | 4,136 |

| | |
|------------------------------------|---------------|
| Third Party Payments | 10,636 |
| Depreciation and Impairment Losses | 7,091 |
| Sinking Fund | 13,000 |
| Staff/Management | 15,000 |
| Income | (44,909) |
| Grand Total | 47,500 |

3.5 Additional staff (or a management agency) will be required to support the day-to-day operations of the converted properties. £15,000 has been included which is based on the current provision of a 0.2 full time equivalent role that supports the Council's current 11 units.

3.6 These cost estimates will be subject to further due diligence as part of the development of a robust business case which will be reported back to Cabinet in due course.

4. Cost Benefit Analysis

4.1 At the time of writing the Council was providing nightly paid accommodation to 55 households. These households have the following housing requirements:

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|-----------------|----|
| 3+ bedroom need | 6 |
| 2 bedroom need | 13 |
| 1 bedroom need | 36 |

4.2 Accommodation for eligible homeless households of similar make up to the proposed properties in this project average at approximately £60 per night in the private sector.

4.3 The Council recovers the local housing allowance (LHA) rate of Housing Benefit, or the Housing element in universal credit, to offset the cost of temporary accommodation. On a rate of £60pn this brings the cost down by about 20% (e.g. 1 bed need, LHA rate of £92.05pw or £12 per day). This is shown as 'income' in the table above (3.4).

4.4 Once implemented the project would deliver 13 units for use as temporary accommodation negating the need to use hotels. This would reduce the need for hotels by 13 at £60 per night or £284,700 per year, less 20% recovery of costs through Housing Benefit, resulting in £227,760 reduction in this expenditure.

| | |
|---|------------------|
| | £ per annum |
| Net cost of 13 hotel units at £60 per night | (227,760) |
| Revenue costs | 47,500 |
| Potential Revenue Savings | (180,260) |

- 4.5 This calculation is based on 100% occupancy levels, however the units could be filled twice over with the current number of households accessing nightly rate temporary accommodation. Savings are sensitive to occupancy levels staying high.
- 4.6 The current cost of providing this nightly accommodation is funded through the Homeless Prevention Grant provided by DLUHC. For 2021/22 this grant totalled £536,488 and was fully utilised across the Housing Options and Strategic Housing service areas to prevent and relieve rough sleeping and homelessness. The grant allocation for 2022/23 is for the same amount. The current level of spending is unsustainable and has risen by roughly 20% year on year since 2019/20. Without alternative mitigating options or increases in grant funding for 2023/24 the cost of providing temporary accommodation will continue to rise.
- 4.7 This is an invest to save proposal however applications for capital grant funding will be explored in the first instance.
- 4.8 In the absence of capital grant funding, or the need for the Council to provide match funding, then the Council would need to borrow. This is estimated to cost £64k per annum assuming a repayment term of 25 years at an interest rate of 4.45%. This would be met from any saving generated by the proposal. If this scenario came to pass, the preferred option would still be cheaper and a more sustainable long term option than the current position. This could be contained within the current funding received for the service from DLUHC and would allow further investment in front line support.
- 4.9 In the event that the direct Homeless Prevention Grant revenue funding is not received from DLUHC in future, the Council would still need to deliver the service, and would need to find the revenue funding within its core budget. Therefore, the preferred option still represents the best long-term option.
- 4.10 A high-level estimate based on the current market value of similar accommodation in the areas that, once completed, the apartments could have a residual value of around £100,000 each (£1.3m in total).

5. Linked Schemes

- 5.1 Children's Services are considering a similar project to meet their needs.
- 5.2 Other schemes linked to this project include the Council's temporary accommodation unit and the Dispersed Family Accommodation Project. The Council is also looking to procure properties from the social sector for lease at close to LHA rate to use as temporary accommodation.
- 5.3 There is potential for the Council's temporary accommodation unit to undergo some redevelopment to better make use of the space. This could include adding adjoining doors between flats so that larger families can be accommodated there.
- 5.4 The Dispersed Family Accommodation Project is delivered by Riverside Housing and offers tenancies and additional support to help manage their tenancy to homeless families. This programme could prove a valuable exit strategy for families that have accessed emergency temporary accommodation, such as that proposed in this project.

6 Timescales

- 6.1 Subject to Cabinet approval it is anticipated that the build will take between 7-9 months to complete. However, prior to beginning the works Planning approval will need to be sought.
- 6.2 The statutory period for the determination of a planning application of this type is eight weeks.

7 Funding

- 7.1 This is an invest to save proposal, however funding for the project is undetermined. Potential options being explored are to source funding from agencies such as Homes England and DLUHC. However, there would likely need to be capital match funding provided by the local authority should any bids to these agencies be successful.
- 7.2 Homes England operate capital funding programmes, specifically aimed at increasing affordable housing. A programme to provide accommodation for vulnerable housing groups is open to applications and this project may meet the necessary eligibility for the programme. This programme, if the bid was successful, would part fund the project.

8 Options Summaries

- 8.1 Option 1 – Sell the properties on the open market. This could yield a capital receipt in the region of £335,000.
- 8.2 Option 2 (preferred option) – Redevelop the properties for use as emergency temporary accommodation at an estimated capital cost of £951,000. Properties would be brought back into use and utilised as accommodation for homeless households. This would lessen the requirement of using hotels as temporary accommodation, consequently saving £180,000 expenditure per year that could be reinvested into services. Should the requirement for emergency temporary accommodation decrease in future, it is estimated that the 13 units could be sold for approximately £0.1m each or £1.3m in total.

9 Project Development Actions

- 9.1 Set out below are the key actions and timescales to develop a robust business case for the project.

| Task | Action | Timeframe |
|------|---|------------|
| 1 | Officers conduct enquiries to potential capital funding available through DLUHC, Homes England or both. | March 2023 |
| 2 | Agree project board membership. | April 2023 |
| 3 | Complete a robust business case with detailed capital and revenue costs. | June 2023 |

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| 4 | Agree implementation plan showing key deliverables and major control points of the project. This will include details of the resource requirements and associated costs. | June 2023 |
| 5 | Provide a progress update to Cabinet. | July 2023 |