

Central Bedfordshire Council

EXECUTIVE

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Reducing Reliance on Bed and Breakfast Accommodation Use

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This report relates to a Key Decision

Purpose of this report

1. To outline the financial pressures resulting from a sustained increase in the use of Bed and Breakfast (B & B) accommodation, which is necessary to meet a re-housing duty on a temporary basis for homeless households approaching the Council.
2. To recommend to Council that the Housing Service spend £2million (£2M) of Housing Revenue Account (HRA) funding to acquire 7 to 9 family homes (and/or land to build), which shall be used as temporary accommodation (TA) as an alternative to B&B. These properties to be located in the north of Central Bedfordshire.
3. To outline the situation concerning the Council's Right to Buy receipts and that the recommended acquisitions will reduce the risk of these receipts being repaid to Government.

RECOMMENDATIONS

The Executive is asked to:

1. **note the impact, in particular the financial pressures facing the Council from increased use of B & B accommodation for emergency temporary use; and**
2. **recommend to Council to approve the expenditure of £2M of Housing Revenue Account (HRA) resources for the acquisition of a portfolio of circa 7 – 9 properties and potentially land (for development).**

Overview and Scrutiny Comments/Recommendations

4. The item has not been presented to Overview and Scrutiny due to the pressing need to obtain Executive and Council approval for this key decision.

Issues

5. The Council is under pressure regarding its duty to secure temporary housing accommodation for family and vulnerable single person households in homelessness emergency situations. The Council has this responsibility under part 7 of the Housing Act 1996. During 2014/15, the Council's own temporary accommodation was constantly full so more expensive Bed & Breakfast (B & B) establishments have had to be used as an alternative to meeting this responsibility.
6. Due to the ad hoc nature, B & B costs up to £90/per night/per household and only £20/per night is recoverable through housing benefit. Appendix 1 illustrates how B & B use increased significantly since September 2014.
7. The Council currently has 26 Hostel spaces (including two units reserved for Children's Services) and 13 satellite properties used for temporary accommodation (that would normally provide permanent accommodation). These are all in the south Central Bedfordshire area. Aragon provides three satellite properties for the north of the area but has no more available to the Council. The most frequently used north area accommodation is the Holiday Inn, Sandy, which is costly to the Council
8. The Homelessness Strategy, adopted by Executive in March 2015, identified B&B as a risk. Specific actions have been implemented to manage demand, prevent crisis homelessness and to tackle the root causes of homelessness. In line with the strategy, a range of actions are being progressed to reduce use of B & B. It should be noted that our supply of TA (temporary accommodation) (other than B&B) that is mainly provided by the Council, is income generating within the HRA. For this reason, the business case to increase the use of other types of TA – and use B&B less or not at all – is strong.
9. Whilst the peak B & B use of February 2015 (49 households) has reduced to around 33 households in March, April, and May (through intensive demand management), this is still significantly higher than the average for 2012/13 (4 households) and 2013/14 (6). Costs fall to the general fund. For 2014/15 approximately 35% of a gross expenditure of £0.5M relating to B&B was recovered. The situation is similar in other areas of the south east, including neighbouring authorities, such as Luton who have had 300 households in B & B.

10. Council Officers are currently progressing the purchase of two family homes for temporary accommodation use at a value of approximately £0.45M under delegated authority to the Director of Community Services, in consultation with the relevant Executive Members.
11. On the basis that sufficient TA is purchased into the HRA stock (in the north of Central Bedfordshire), the aim is to reduce B&B expenditure to levels sustained during the two year period 2012 to 2014. That is, minimal use of B&B per month, in exceptional circumstances. The intention is to have in place a “core offer” across the Central Bedfordshire area, with provision in Sandy and/or Biggleswade, Flitwick, and potentially other market towns. The properties sought will be lowest price quartile for the size of the property and will include family sized accommodation and properties capable of multi-occupancy.

Options for consideration

12. Appendix 2 attached outlines the income generated through Right to Buy (RtB) receipts and the timescales before the Council has to “return” this funding to the Government. There are complex restrictions in place but RtB receipts can be used for acquiring private sector homes for affordable housing use. The RtB receipts received to date have to be used within a certain time frame (three years from receipt) and appendix 2 illustrates that to avoid repayment, the Council has to spend £0.386M on affordable housing by end of December 2015 and nearly £1M by March 2016. The intention was to use these receipts to deliver the Croft Green and Creasey Park new homes schemes during 2015/16.
13. RtB receipts can make up 30% of total affordable housing costs. The remaining 70% is Council funded. The proposed expenditures on property purchases would therefore require expenditure from the HRA Capital programme, amounting to approximately £1.715m if the entire spend were £2.45M (made up of £0.45 M under delegated authority and £2M proposed within this report). The HRA Capital programme for the MTFP assumes a net spend of £80M over 4 years, but although we are making good progress with the various schemes (Croft Green, Creasy View etc.), which were intended to use RtB receipts, the strength of the construction industry is such that the market is not responding to deliver quickly. Therefore property acquisition is a “plan B” to optimise the utilisation of RtB receipts.
14. From 2009/10 to 2014/15 the Housing Solutions service has delivered a 45% budget reduction and further efficiencies are being delivered during 2015/16. Efficiencies include £0.2M saving from bringing the north area housing options contract back in house and successful restructuring to merge Housing Needs and Private Sector Housing into a Housing Solutions locality model of service.

The service is lean and is struggling to achieve planned efficiency savings against the back-drop of increased B & B costs.

15. As stated in paragraph 5 above, Council's own TA is income generating. Within this proposal, tenants of the proposed new TA will become tenants of the Council (HRA) and pay rent (and potentially management costs) to the HRA. Consequently as well as reducing general fund expenditure on B & B, the proposal is income generating to the HRA.

Reason/s for decision

16. The proposal to acquire suitable properties for temporary accommodation, primarily in the north area, provides several benefits to the Council. There is a reduced risk to the General Fund (which results in monetary savings); acquisition will help prevent return of RtB receipts to the Government in the short term; homeless families in the north area will be happier that they do not have to move their children out of school, and the Housing Revenue Account will generate income from rents.

Council Priorities

17. The proposed action supports the Council's priorities:
 - promote health and well being and protect the vulnerable
 - value for money – freezing council tax.

Corporate Implications

18. Procurement – Housing Services are working closely with Corporate Assets services to ensure that property acquisitions are value for money for the Council and lower quartile, whilst meeting customer needs.
19. Risk – the risks to purchasing properties from the open market will be reduced by the Council undertaking necessary and appropriate legal and property assessments.

Legal Implications

20. The Council has an interim duty to those approaching the Council as homeless who are eligible for assistance and have an apparent priority need pending a decision as to what full duty (if any) the Council owes. While the interim duty arises when someone first approaches the Council, it can take more than a day for enquiries to be completed in respect of someone's circumstances and during this time the Council owes a duty to ensure accommodation is made available and in certain circumstances the duty is discharged by providing the homeless applicant with temporary accommodation.

The Council would be assisted in discharging its duties in this respect by use of properties owned by the Council for temporary accommodation.

21. Accommodation must be suitable and so provide for other family members who normally reside with a homeless applicant. Use of B & B is restricted as it is not normally suitable for families or those with specific needs e.g. medical or disabilities. Accommodation provided via properties that are owned or managed by a Local Authority are not classed as B & B. As far as reasonably practicable, the Council also has a duty to secure accommodation within their own area for homeless applicants. Consequently, not only would the Council be providing more suitable accommodation for families with Council owned properties but as owner may be able to have available accommodation specifically adapted and so better meet the needs of homeless applicants that may have specific needs.
22. There is risk of legal challenge in all areas of service provision, particularly where resources are scarce and a large amount of money is being allocated a specific way (as opposed to another way a potential challenger seeks). The risks can be minimised if correct democratic processes are followed and there is full transparency by the Council. The Council can defend any challenge if its decisions (and any delegated decisions) are made relying on fully assessed needs of homelessness, the impact strategy has on those who access the service together with all Council residents and in decisions being made based on those assessments. There is robust justification in attempting to meet a high demand for a service provision, which it is obliged to do under statute, and is for vulnerable homeless people.
23. The Council may also be faced with challenges from e.g. neighbours who live next to or near any new temporary accommodation provision. These risks can also be minimised with the measures mentioned above together with consultation with neighbours, correctly following processes e.g. with planning permission (if required) and good management of properties.
24. The Council can guard against challenge further in finding 'Best Value' to supply a service and in continuing to review all the aspects identified above i.e. needs of homeless, strategy and Best Value (particularly if e.g. older houses are bought so that protection of the public purse continues throughout the duration of the Council's ownership).
25. On purchasing the relevant properties or land for redevelopment Legal Services will ensure that there are no restrictions or other matters that would prevent them from being used for TA including houses in multiple occupation.

Financial Implications

26. It is anticipated that there will be slippage in the 2015/16 HRA programme, starting with the Croft Green project (£3m in budget for 15/16 but very little actual spend likely in this financial year). Funding will be available, therefore, for these purchases during 2015/16, with flexibility within the MTFP to scale back other smaller scale regeneration budgets if required. In addition, this investment of HRA resources will achieve revenue savings to the General Fund and will also reduce the risk of Right to Buy (RtB) receipts being paid to Central Government.

Equalities Implications

27. An equalities impact assessment (EIA) was completed as part of the Homelessness strategy development process, and it is available as a background document. The key finding of the Homelessness strategy (EIA) was that the strategy will ensure that more residents are prevented from becoming homeless and those that do become homeless will receive more person-centred support to relieve their homelessness and retain their independence.
28. There are no additional implications arising from this report. The purchase of properties will be beneficial to priority homeless households, often at a point of crisis in their lives.

Conclusion and next Steps

29. The increasing use of B & B since summer 2014 has surprised officers who have been operating consistently for the last few years but is consistent with situation in other local authority areas, including Luton. Reasons include a strong rental market, welfare reforms, uncertainties around access to social housing, and low wages making the private rental sector unaffordable.
30. There are several actions in progress, including a target for speedier homelessness investigations, an independent review process (to reduce appeals), a tougher stance on providing temporary accommodation for customers who appeal, using more Council homes as satellite temporary accommodation, and increasing partnership working with Private Rental Sector (PRS) landlords. Despite a recent reduction in B & B use, current numbers still far exceed the 2013/14 average number of households in B & B.

31. The proposal to utilise £2M of HRA resources to acquire suitable properties for temporary accommodation, primarily in the north area, provides several benefits to the Council. There is a reduced risk to the General Fund (which results in monetary savings); acquisition will help prevent return of RtB receipts to the Government in the short term; homeless families in the north area will be happier that they do not have to move their children out of school, and the Housing Revenue Account will generate income from rents.
32. It is proposed that the Council's HRA progresses purchase of 7 to 9 properties and/or land for development, in the north of Central Bedfordshire for temporary accommodation use.

Appendices

The following Appendix is attached

33. Appendix 1 Graph indicating increasing use of B & B
34. Appendix 2 Right to Buy receipts – 1 for 1 replacements Briefing note

Background Papers

35. The following background papers, not previously available to the public, were taken into account and are available on the Council's website:

None