

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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**CABINET**

26 June 2020

**REPORT OF THE PORTFOLIO HOLDER FOR HOUSING****A.5 FUTURE USE OF SPENDELLS HOUSE, WALTON**

(Report prepared by Tim Clarke, Jane Treagus, Richard Barrett and Richard Hall)

**PART 1 – KEY INFORMATION****PURPOSE OF THE REPORT**

To inform Cabinet of the work undertaken by officers to find a future use for Spendells House and to seek agreement to bring the building back into use as a temporary accommodation unit for homeless households, and in particular family households.

**EXECUTIVE SUMMARY**

Following Cabinet's decision on 23<sup>th</sup> March 2018, Spendells House was closed and the residents relocated to other housing in the district. The primary reason for its closure was due to very low demand from those eligible to live in sheltered housing.

Options for the future use of the site have been considered with the conclusion that the scheme could provide an alternative option to the Council in responding to the demand for temporary accommodation given the increase in homelessness over recent years as set out further on in this report.

Homelessness applications and temporary accommodation placements have been increasing over recent years, a trend that shows no sign of diminishing. Currently temporary accommodation is sourced externally via local property owners and bed and breakfast establishments.

With an estimated capital investment of **£0.600m** from the Housing Revenue Account (HRA), Spendells House can be brought into use as council owned and managed temporary accommodation providing a better quality and more versatile provision than is currently available externally. The project would enable significant savings to be made compared with the cost of existing options used by the Council and which would represent an average 19% return on investment.

**RECOMMENDATION(S)**

**It is recommended that Cabinet:**

- 1. notes the outcome of work undertaken in identifying an alternative use for the Spendells house site, Walton on Naze;**
- 2. in consideration of the increase in temporary accommodation placements across the district and significant associated costs, agrees that the Spendells house site should be retained and reconfigured for the provision of temporary housing accommodation;**
- 3. authorises the Corporate Director (Operations and Delivery) in consultation**

with the Portfolio Holder for Housing to submit a planning application for the change of use of Spendells House to form hostel type accommodation;

4. that subject to the above, the necessary works are undertaken to the property at an estimated cost of £0.600m, with this cost being met in 2020/21 from within the existing housing revenue account capital programme; and,
5. agrees a delegation to the Corporate Director (Operations and Delivery) to make the necessary adjustments to the base on-going revenue budget (both GF and HRA) to reflect the on-going cost of operating Spendells House as temporary accommodation, but with no overall net impact on existing budgets.

## PART 2 – IMPLICATIONS OF THE DECISION

### DELIVERING PRIORITIES

The decisions will contribute to the following priorities in the Corporate Plan 2016-2020:

**Health and Housing** – The appraisal has focussed on ensuring the provision of good quality and appropriate housing that meets local needs. In this instance there is a need for secure and reasonably priced temporary accommodation.

**Our Council Our Community** – Future uses of the site must be appropriate to the needs of the community.

### FINANCE, OTHER RESOURCES AND RISK

#### Finance and other resources

As highlighted in the report presented to Cabinet on 23<sup>rd</sup> March 2018, the net cost of operating Spendells House at what had become a very low occupancy had increased to a level that is was no longer sustainable, and when taken into account with the estimated capital costs associated with major repairs and remedial works resulted in a negative viability assessment. This was further compounded by the cost of the empty flats within the scheme such as council tax payable during void periods.

Temporary accommodation placements for homeless households have increased over recent years. In 2013/14 temporary accommodation placements cost the Council **£0.022m** whereas by 2018/19 the cost had increased to **£0.459m**. Unless the Council uses its own housing stock the cost of temporary accommodation over that covered by Housing Benefit subsidy is met by the General Fund.

The table below shows the level of gross spend on temporary accommodation in recent years.

Year	Spend
2013/14	£22,368
2014/15	£71,382
2015/16	£103,308
2016/17	£204,028
2017/18	£335,947
2018/19	£459,265

With homelessness levels showing no signs of reducing (both nationally and locally) temporary accommodation costs can only be reduced by the Council using its own

housing stock or securing less expensive accommodation that it can currently secure. Using our own accommodation is unlikely to be supported by those on the Housing Register as they are likely to feel that homeless households are jumping the queue. Many other councils have either repurposed existing buildings, or have purchased additional housing stock to use as temporary accommodation. Hostel type accommodation is regarded as a short term solution for each individual case, while their circumstances are being assessed.

In terms of repurposing existing buildings, **Appendix A** sets out the estimated annual cost of operating Spendells House as a temporary housing unit. Estimated costs include the necessary support staff, council tax, cleaning, replacement of furniture along with building costs such as routine repairs and maintenance. The total annual cost is estimated as **£0.136m** in the first year of operation, with inflationary pressures applied in later years in line with the wider financial forecast.

As the fabric of the property will be managed within the HRA, the associated costs such as repairs and maintenance will be charged to that account rather than the General Fund. This is a choice that can be made locally rather than driven by the accounting requirements. Although it can be argued that the HRA is subsidising a General Fund function, this proposal helps balance the overall cost across the Council. The overall decision proposed and financial information provided is based on all costs being taken into account not just those in the General Fund.

Taking the above into account the estimated annual net costs split over the General Fund and HRA in the first year of operation would be as follows:

General Fund - £75,570  
 HRA - £60,166  
**Total Cost - £135,736**

In terms of the HRA, Spendells House currently incurs costs of approximately **£0.040m** per annum, largely from council tax charges on empty properties. Therefore if the proposals were agreed, this cost would transfer to the General Fund and this saving to the HRA would be available to partly offset the cost of repairs and maintenance of **£0.060m** as set out above. It is anticipated that the difference in costs (**£0.020m**) would be able to be accommodated within existing repair and maintenance budgets in the HRA, which currently exceed **£6m** per year.

In terms of the General Fund, the existing net non-employee homelessness budget in 2020/21 is **£187,030**. The total on-going estimated net costs highlighted above of **£75,570** could therefore be accommodated within the existing base budget. It is worth highlighting that existing budgets currently meet a range of initiatives such as rent deposit guarantee payments, block booking units of temporary accommodation and other associated initiatives so these budgets would have to be reprioritised to balance the need to meet the on-going costs of operating Spendells House as well as providing other important activities. However this underlying budgetary provision has historically been supported by a significant level of grant funding from the Government to help meet the Council's homelessness responsibilities, with the grant receivable in 2020/21 totalling **£425k**.

Therefore, in terms of reprioritising budgets, the underlying aim is to match on-going fixed costs (such as those that will be associated with operating Spendells as temporary housing units) with the ongoing base budget. The flip side would therefore require the use of temporary income, such as the grant from the Government to fund temporary initiatives

or those can be flexed (such as existing block booking arrangements) to respond to changes in demand and supply. Operating homelessness budgets in this way will therefore provide confidence around being able to meet future on-going obligations and therefore reducing potential future cost pressures.

**Appendix B** builds on the scenario set out above. Column A sets out the outturn position for 2019/20 based on the existing temporary housing provision. Column B sets out the notional position for 2019/20 if Spendells House had been operating as temporary accommodation. This shows a saving of **£176k** when comparing the two positions, which is primarily due to the reduced need to use bed and breakfast accommodation as households would have been placed in Spendells House instead.

Taking a look across 5 years, **Appendix A** indicates that there would be an estimated annual saving of just over **£112k** with the introduction of Spendells House as temporary accommodation.

In terms of the capital to bring the site back into use as a temporary accommodation unit Spendells House will require estimated capital investment of **£0.600m**. As set out in **Appendix B**, once open the scheme will generate an estimated average return on investment (ROI) of 19% and could pay back the initial investment in just over 5 years.

In terms of funding the capital cost of **£0.600m**, it is proposed to meet this from within existing HRA capital budgets. The current major repairs budget is **£3.1m** in 2020/21, with a new build and acquisition budget of **£1.9m** from funding carried forward from 2019/20 and including the base budget for 2020/21. Therefore the costs can be accommodated by reprioritising existing activities within these overall capital programme budgets, whilst balancing the need to protect the Council's money received from 1-4-1 receipts, which requires a certain amount of money to be spent by associated deadlines to be able to retain money that would otherwise have to be paid to the Government.

Although there will be a significant return on the general fund it is important to note that as highlighted above, there will be additional costs incurred by HRA and it is therefore proposed to consult the Tenants' Panel to ensure that they endorse this position.

It is proposed that the scheme be staffed full time during typical office hours Monday to Friday with flexible staffing provision available out of hours and at weekends and bank holidays.

### **Risk**

There are risks associated with the proposals:

**Reputational** – there may be challenge from the local community based on a perception that a temporary accommodation unit will bring problems to the area, such as anti-social behaviour.

The scheme will be well monitored and managed and as such is unlikely to have an adverse impact on the local community. Use of accommodation elsewhere in the district has demonstrated that it is preferable for temporary placements to be within managed facilities rather than relying on alternative properties. Consultation has been undertaken with Frinton and Walton Town Council and the local Ward member with both offering support for the scheme providing the accommodation is used mainly for families which will be the case.

**Financial** – The primary risk associated with the proposals is that any future change in demand or supply of temporary accommodation could result in periods of significant void losses within Spendells House, which could not be offset as the costs would be largely fixed.

As set out further on in this report, the temporary accommodation options currently used have been ordered based on the cost by night, with the use of the Council's own housing stock and the use of the private rented sector being the most favourable options. Although there are limits on the level of supply that these two options provide, supply could increase in the future.

Conversely to the above, demand for temporary accommodation could reduce in future years, which again could result in significant void periods.

Modelling has therefore been undertaken that indicates that if supply of the Council's housing stock or within the private sector increased by 40% Spendells would still be fully utilised. The same modelling also indicates that demand would have to fall by at least 40% before significant void losses were incurred within Spendells House as other more expensive options would be reduced first.

However, it must be stated that, given the Governments continued commitment to welfare reforms and the slow pace of adding affordable homes in the district, that the probability of this scenario occurring in the next 5 years is low. Also the risk can be mitigated to an extent by cost reductions, for example by using fixed term staffing contracts for an initial period while the success of the project is determined.

Taking the above into account along with an estimated payback period of just over 5 years the risks of converting and operating Spendells House as temporary accommodation units is relatively low and considered to present value for money compared with the more expensive options such as bed and breakfast.

**Continued Need** - Research in this area concludes that the need for temporary accommodation is unlikely to reduce. A report published by Shelter in August 2017 entitled *Homelessness projections: Core homelessness in Great Britain* suggested that if current policies remain unchanged the most acute forms of homelessness are likely to continue rising.

During the week commencing 7<sup>th</sup> October 2019 there were 77 properties for rent within a five mile radius of Clacton and 35 around the Harwich area. To put those figures into context during that week there were 337 open homelessness applications. Of those applications 99 were currently homeless and 77 were threatened with homelessness in the next 56 days. Rising rents in this area, with a forecast three per cent rise every year for the next five years, combined with landlords selling property means that supply will become more restricted. An article in "*This is Money*" published in May 2019 reported on a wide ranging study of almost 2,500 landlords by the Residential Landlords Association. It found that a quarter of private landlords are looking to sell at least one property over the next year.

**Refusal** – there is a risk that the offer of temporary accommodation at Spendells house is refused by some applicants. For the majority the offer will be suitable and once an offer is made the local authority is under no obligation to keep the offer open, or to make a further offer of interim accommodation unless there is a change in the applicant's circumstances that make the offer of Spendells house unsuitable.

Overall officers are confident that the scheme will be fully utilised and without a major policy shift or increase in affordable housing supply it appears unlikely that the need for temporary accommodation will reduce to an extent that would adversely affect the overall viability of the proposals.

## **LEGAL**

Under Part VII of the 1996 Housing Act (as amended) the Council has a duty to provide temporary accommodation to households who are homeless and have an apparent 'priority need' for accommodation according to the legislation.

The Homelessness (Suitability of Accommodation) (England) Order 2003 states that it is unlawful for councils to accommodate families with children in Bed and Breakfast (or accommodation with shared facilities) for longer than six weeks. In 2018/19 we had 31 families who were placed for over six weeks in bed and breakfast type accommodation. The Spendells scheme would not be regarded as Bed and Breakfast because the Order does not include accommodation which is owned or managed by the local authority, a registered social landlord, or a voluntary organisation.

Provisions within the Housing Act 1985, sections 9 and 56, allow for the Council to designate the building as a hostel for the provision of housing accommodation and therefore, accounted for within the HRA. This means that conversion works, repair and maintenance costs can be funding through the HRA and there is no requirement to appropriate the use of the land for alternative purposes.

A planning application will be required to seek a change of use to Sui Generis. Without planning permission the proposals will not be able to proceed. Planning applications for council owned property should be made in consultation with the relevant Portfolio Holder and will be considered at Committee

## **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

**Area or Ward affected** – The Ward Member from Walton has been involved in the consultation process and has indicated support for the proposal. Frinton and Walton Town Council have also been consulted on the proposal.

**Equality and Diversity** –

An equality impact assessment has not highlighted any equalities issues other than a benefit to those living with a physical disability.

### **PART 3 – SUPPORTING INFORMATION**

#### **BACKGROUND & VIABILITY ASSESSMENT**

The closure of the Spendells house as a sheltered housing scheme in March 2018 was an inevitable but unfortunate consequence of low demand and occupancy for this type of accommodation outside of town centres. Whilst it has remained empty only basic maintenance and security provision have been in place. Overall the building remains in good condition and provides a good basis for developing a temporary accommodation scheme.

Options that have been explored for the future use of the site have focussed on either outright disposal or re-purposing to provide alternative housing provision.

Interest has been shown by two housing associations for either lease or sale but these options have not progressed beyond initial viewings.

An option was presented by a local charity that provides accommodation for those affected by domestic violence. Discussions with that organisation commenced positively but the costs involved in commissioning and running such a large facility ultimately meant they were unable to commit fully.

The most favourable option sees the Council retaining ownership but changing the use of the site from a sheltered housing scheme to hostel type accommodation to assist with the provision of statutory homeless functions. Both of these purposes involve using the accommodation for housing and fall within the Housing Revenue Account.

Attached to the scheme is a bungalow that used to be the scheme manager's home. That property is still occupied by a tenant although work is ongoing to relocate them to an equivalent property elsewhere in the area when one becomes available. It is proposed that the bungalow, once vacated, will be used for office space and meeting rooms for staff. Hot desks could also be available for visiting officers and other agencies who will be offering support to residents.

The need for council owned temporary accommodation has also arisen due to the need to:

- Mitigate use of B&B and other poorer quality temporary accommodation;
- Rationalise poorer quality facilities currently provided; and
- Increase provision both as result of increased demand, but also because of the national shortage of affordable housing.

People who could be housed in the scheme:

- Unintentionally homeless;
- Intentionally homeless with priority need;
- Decants from council owned property (for example floor/ fire damage);
- Decants from Registered Social Landlords (RSLs) – possible but would have to demonstrate they have exhausted all other options;
- To avoid localised activation of Emergency Plan; and



- Responding to an Emergency Plan incident – for example a serious flooding emergency - rest centres are used in the immediate aftermath and whilst most people go home some may still be in need so offered temporary accommodation.

### Homelessness levels

The council has a statutory duty as the Local Housing Authority to provide assistance to people who are homeless or threatened with homelessness.

The Council has for many years adopted a pro-active preventative approach to reducing homelessness. However, the last five years has seen a national increase in homelessness that has also been the experience in Tendring.

Year	Homelessness applications
2013/14	87
2014/15	137
2015/16	159
2016/17	288
2017/18	308

The Homelessness Reduction Act (HRA18) came into force in April 2018 with the aim of reducing homelessness. The act increased duties on local authorities to assess an applicant's needs and to prevent and relieve homelessness by:

- Improving advice and information about homelessness and the prevention of homelessness;
- Extending the period of threatened with homelessness from 28 days to 56 days. An applicant is now assessed as threatened with homelessness if they are likely to become homeless within 56 days.
- Introducing new duties to prevent and relieve homelessness for all eligible people, regardless of priority need and intentionality.
- Introducing assessments and personalised housing plans, setting out the actions housing authorities and individuals will take to secure accommodation.
- Encouraging public bodies to work together to prevent and relieve homelessness through a duty to refer.

Despite the extra advice and duties brought in by the Homelessness Reduction Act, the lack of affordable housing and private rented properties mean that the use of temporary accommodation has increased.

In 2018/19 the council received 704 homelessness applications which is a significant increase from previous years. The main reason for this is the fact that the definition of threatened homelessness is now triggered at 56 days as opposed to 28 days.

For each homelessness application the Councils duty is to assess each applicant's situation and provide a personal housing plan if they are homeless or threatened with homelessness. The aim of the plan is to help keep the person in their current home or support them to find somewhere else to live. Officers work with the person for up to eight weeks if they're threatened with homelessness and for a further eight weeks once they are

homeless. If the person is still homeless after eight weeks, the council will then make a main duty decision which will determine what further help we have to provide. This decision is based on whether they have a priority need and the reasons for which they have become homeless.

The council has a duty to provide temporary accommodation at the point in which we have reason to believe that an applicant may be homeless, eligible for assistance and has a priority need. This accommodation is provided until they either find settled accommodation or a main duty decision is made. If the main duty decision is that a person has a priority need and is homeless through no fault of their own, then they will have to stay in temporary accommodation until longer-term housing is secured.

In 2018/19 232 households were placed in emergency accommodation with the average time spent in the accommodation being 5.2 weeks. The longest period of time a household had to stay in emergency accommodation was 17.8 weeks.

Year	No. of placements	Average no. of days in placement
2013/14	44	17
2014/15	57	24
2015/16	91	23
2016/17	154	24
2017/18	182	31
2018/19	232	37

In previous years it was possible to assist applicants to find alternative accommodation before they actually became homeless and therefore not so many were placed in temporary accommodation.

It is becoming more difficult to gain access to the private rented sector as a significant number of landlords are refusing to house people on benefits or require guarantors and rent in advance. This makes preventing people becoming homeless by arranging alternative accommodation in the private rented sector challenging. The impact of welfare reform changes, the freezing of the Local Housing Allowance rates and the roll-out of Universal Credit are seeing more people threatened with homelessness.

### **Current temporary accommodation provision**

The Council's spending on using private sector properties for temporary accommodation provision has been rising steadily over recent years. The Council does not have any control over the number of households presenting as homeless and has a statutory duty to provide temporary accommodation in many cases. This type of accommodation is usually provided via local bed and breakfast establishments and through block booking arrangements with two property owners in Clacton. In 2018/19 the Council spent £459,265 on temporary accommodation, which is met through the General Fund.

One of the block booking arrangements provides 14 rooms and costs £184,000 per annum. This accommodation is mainly for single people/couples and only has 2 family rooms. We are therefore still reliant on bed and breakfast establishments to provide temporary accommodation for families. This block booking arrangement is located in central Clacton

and as such having an offer outside of Clacton for some client groups may be very advantageous e.g. someone fleeing domestic violence.

Introducing a council owned unit that can provide up to 30 rooms means that this arrangement and other nightly bed and breakfast bookings can be reviewed and potentially mitigated.

The table below shows the various scenarios that could be followed when assisting homeless households. The first two rows of the table show households assisted with accommodation before the need to be placed in temporary accommodation, this being the ideal option.

	Accommodation type	No. of placements in 2018/19	Nightly cost	Net cost to the council after housing benefit subsidy
1	No temporary accommodation - Council/RSL property offered	30	£0	£0
2	No temporary accommodation - Private Rented Accommodation found	136	£0	£0
3	Temporary accommodation - Spendells House	n/a	£23.82	£11.69 per night
4	Temporary accommodation - Blocked booked HMO for single people	26	£25	£12.87 per night
5	Temporary accommodation - Blocked booked Hostel with mixed rooms	118	£36	£23.87 per night
6	Temporary accommodation – Bed & Breakfast	88	£65	£50.15 per night

The third row shows how Spendells House would compare to our current options for temporary accommodation in rows four, five and six. Whilst there is still a nightly cost associated with Spendells, it is lower than the other options.

The long term housing outcomes for all households remains the same, with the use of private rented accommodation being the main option. The cost of this to the council is a one off payment between £0 - £1825 to assist with rent in advance and a deposit where needed. Often this can be funded through the Discretionary Housing Payment fund and therefore at no cost to the Council.

### **Spendells House**

Spendells already has a layout that lends itself to the provision of temporary accommodation and officers felt this option had to be explored. Each room has its own cooking facilities and a toilet and basin. Additional communal showers will need to be provided as the current shared provision will not be sufficient bearing in mind some rooms will be occupied by families rather than individuals as was the case when it was in use as

sheltered housing. Plans have been drawn up that enable additional showers to be provided without reducing the number of accommodation rooms.

In order to provide temporary accommodation for those with disabilities it is proposed to convert the ground floor lounge into an accommodation room with self-contained level access shower. Currently such provision is only available in large chain hotels in Clacton.

Heating in the scheme is currently provided via a wet central heating system heating via gas boilers. The proposal is to replace the central heating system with efficient point of use electric heaters throughout for both space and water heating. This will improve efficiency and reduce long term maintenance costs as well as lowering carbon emissions. It is also believed that the current system having been drained and unused for a long period will be troublesome and expensive to recommission.

Included in the costs is an upgrade of the electricity supply to the building to enable the installation of point of use water and electrical heating that will place additional loading on the supply.

Various improvements will be made to flooring and the fit out within each flat to ensure durability and ease of maintenance.

Whilst the property will be retained within the council's housing stock, planning permission is required to change the use to hostel type temporary accommodation and a planning application will be required. This will seek a change for use to Sui Generis and informal discussions with the Planning Service indicate that this should be a straightforward process.

<b>BACKGROUND PAPERS FOR THE DECISION</b>
None

**APPENDICES**

**Appendix A – Estimated Annual Operating Cost of Spendells as a Temporary Housing Unit**

**Appendix B – Comparison of Estimated Annual Costs Across the Various Temporary Housing Options**

