

Providing Temporary Accommodation for Homeless Households Purchase of Salvation Army Building

Additional Financial Information March 2019

Current Temporary Accommodation Provision

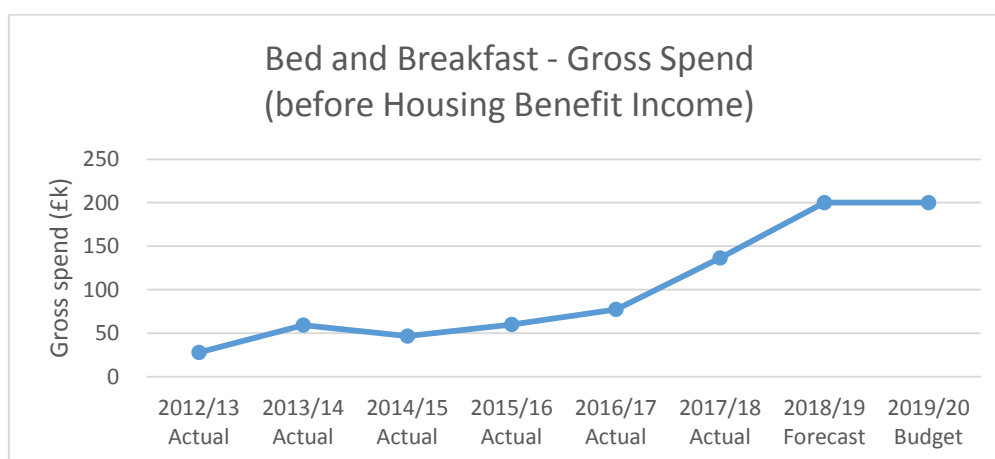
Temporary Accommodation is currently provided in a variety of ways, ranging from emergency accommodation in a Travelodge or similar, Bed and Breakfast accommodation, and self-contained family accommodation. It generally only includes low level, if any, support.

The number of households in temporary accommodation fluctuates, with an average of 14 (ranging from 7 to 19) over the analysis period of 43 weeks (November 2017 to August 2018). There is predominantly a one bedroom need (single person or couple), averaging 11 at any one time, with an average of 3 families.

Placements are usually found within Gloucestershire (91% of nights accommodation, including 9% in the Stroud District Council area), with 9% out of the county, for example in Bristol. Out of county placements are usually family accommodation.

The cost of placements varies significantly with an average weekly cost of £190 per week for a single or couple (ranging from £120 to £659 per week), and an average of £415 per week for a family (ranging from £160 to £767 per week).

Overall spend on temporary accommodation has increased significantly in recent years, and it is expected to stay at a higher level over the short term.



The income received through Housing Benefit varies depending on the type and size of accommodation and household. It is generally significantly lower than the cost of the placement. This has been 'topped up' by the Benefits service at SDC, and so although there is only a small variance reported on Bed and Breakfast, there is a net cost to the Council.

Purchase of a property and conversion to temporary accommodation units

The proposal includes the purchase of a building owned by the Salvation Army and conversion into six temporary accommodation units, two for families and four for singles.

It is currently estimated that the purchase and conversion would cost in the region of £500k.

It is proposed that this is financed through borrowing. Assuming borrowing over 30 years, the annual cost of Minimum Revenue Provision (MRP) and interest payments would be £29k in the first year. This would need to be supported by savings in the ongoing provision of temporary accommodation.

Supported Accommodation

The cost of providing supported accommodation is much higher than providing basic bed and breakfast, and is estimated at £80k per year for a property of this size. Costs have been assumed for a management charge, as well as repairs on the property and the cost of utilities. A charge for utilities would be charged directly to the households, as is the case in some existing temporary accommodation.

Although full recovery of the cost is still not possible, supported accommodation is eligible for a higher level of Housing Benefit when provided by a registered provider, such as a Housing Association. District Councils do not qualify under the regulations and therefore the accommodation would need to be run by a registered provider, and could not be operated directly by SDC without large financial loss.

Based on the current levels of households in temporary accommodation it is not envisaged that there would be an issue with void periods. Some levels of void would be expected due to turnover, but households could be moved from other temporary accommodation should there be a vacancy. If no households from Stroud district need supported accommodation it could be made available to neighbouring local authorities, but this is not expected on a regular basis.

Impact on Budgets

As previously reported the cost of providing supported accommodation is expected to be much higher than providing basic bed and breakfast. However, the increase in support provided through a registered provider would allow a higher level of Housing Benefit to be claimed. This means that the net cost to SDC of the new temporary accommodation units is expected to be the same as the cost of providing the existing bed and breakfast accommodation.

Table 1 - Annual cost of provision:

Estimated Cost of New Provision (6 units)	£k	Estimated Costs of B&B (6 households)	£k
Borrowing Costs (MRP and interest)	29		

Running Costs (management charge, utilities, repairs and renewals)	80	Expenditure (Bed and Breakfast)	66
Income (Housing Benefit and service charges)	(67)	Income (Housing Benefit)	(24)
Net Cost to SDC	42	Net Cost to SDC	42

Risks

The key financial risks lie with the cost of bringing the property into use, or the cost of running the service being higher than expected. This will be further investigated as part of the due diligence process and be monitored closely.

The level of income receivable is based on the current regulations for Housing Benefit. Should this position change it could have a significant impact on the financial appraisal. It should be noted that this is also true of all temporary accommodation.

The risk of operational obsolescence should be considered as although the property would be owned by the Council, the open market value of the converted asset may be lower than the total cost of purchase plus conversion. As the purchase is for the purpose of service provision rather than financial gain this is not considered a significant risk.

Summary

The purpose of the proposed provision of temporary accommodation is not financial, but rather to provide an improved service.

The estimated ongoing cost of providing the accommodation, including the cost of borrowing, could be provided at no additional cost to the Council, with the borrowing paid off over 30 years. The report to the Council will include a request to approve a £500k capital budget.

The assumptions and key risks would need to be updated throughout the due diligence period as further information becomes known about the project to ensure it remains viable.