

New Approaches To Temporary Accommodation



V4 Services (V4S) have undertaken several projects for London Boroughs to look at new solutions to the problems of temporary accommodation. The increasing costs of locating suitable rented accommodation together with the growing gap between private rents and the levels of housing benefit paid has and continues to place considerable pressure on local authority housing functions.

The overview

In Ealing the gap between housing benefit rates and the price the council was having to pay to procure temporary accommodation was £5m and rising and they were seeking new approaches.

The first stage was a review of the case load which showed 20% of the cases were creating 80% of the overspend. These were predominantly larger families where it was harder to find suitable temporary accommodation and where there is little turnover of council owned properties. Many of these families were already located out of the borough with some as far away as Dover.

The next stage was to look at new approaches. A financial model was constructed so different approaches could be robustly assessed. New build was examined but the time delay meant it would be several years before accommodation was ready and the cost of new build would not be recoverable by a housing benefit based rental model. Temporary accommodation such as container homes were examined but these were almost as slow to get from concept through planning and into delivery as new build. Also the temporary nature of the buildings and the site meant there was no residual value at the end of the of the rental period. The option that worked far better was to purchase existing properties on

the open market. In a number of locations within a 10 mile radius they could be purchased for below the cost of new build construction and they could be purchased immediately, be in use within a few weeks and so make an in-year impact on the budget pressure. If the demand fell then they could be sold on the open market to help recover the cost.

Acting as the intelligent client we took the business plan through the council's approval process which culminated in approval by cabinet in February 2020.

The challenge

Large numbers of families housed in temporary accommodation unsuitable to their needs.

£5m annual cost to the council resulting from housing benefit subsidy shortfall in temporary accommodation. This figure was growing as a result of demand, an increasing difficulty in sourcing affordable accommodation and benefit changes including the ongoing migration to universal credit.

A review undertaken by the council had found that the council needed a further 300 temporary accommodation units to meet demand and ensure families were not spending more than the statutory maximum of 6 weeks in unsuitable bed and breakfast accommodation.

£52.7m
investment



**Local knowledge,
business expertise and insight**

The solution

Reviewing the granular detail of the case load the V4S team helped the council to better understand the cost drivers. Single person households, while driving the demand, were not responsible, in the main, for housing benefit subsidy loss. Families in certain sub-groups were responsible for a disproportionately large element of the spend.

Analysing the cohort it became apparent that a smaller number of acquisitions, but targeted at the high-cost sub-group, could deliver the majority of the savings sought.

This proposed approach was accepted by the council and a framework for the purchase of properties in specific target areas was approved. This framework set ceiling acquisition prices, modelled both acquisition and property costs and allocated up to £12.5m of prudential borrowing and £10.5m of grant funding. All the properties secured under the programme would provide 'cost neutral' temporary accommodation.

The outcome

The initial framework permits the acquisition of around 60 properties, 30 of which have already been agreed or completed. With the concept proved the council have shown an appetite to grow the acquisition programme – removing more families from unsuitable accommodation while further reducing the council's costs.

COVID-19 and the government response to the pandemic has allowed the team to further refine the model adjusting ceiling prices, the target areas, the assumed rental income and the revenue cost of capital assumptions. This remodelling will permit the acquisition of up to 139 properties, saving the council up to £707k per annum.

The revised framework will be presented to Cabinet for approval in October 2020.

In addition to designing and modelling the acquisition framework the V4S team are retained by the council to support the acquisition programme while ensuring the benefits envisaged are captured.

Get in touch

We'd love to talk to you about your project

Call: 0161 537 8200

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Up to

139

**cost neutral properties acquired
for the purposes' of temporary
accommodation**

Saving the council

£707k

per annum revenue saving

