

The Temporary Housing Dilemma

STRATEGIES FOR LOCAL AUTHORITIES





THE TEMPORARY HOUSING DILEMMA

The UK is grappling with a growing Temporary Accommodation crisis, underscored by an alarming rise in homelessness and a critical shortage of social housing. This situation has compelled many local authorities to turn to costly and often inadequate private Temporary Accommodation, such as hotels and B&Bs, for those in urgent need of housing. This crisis presents not only immediate logistical challenges but also profound impacts on the well-being and stability of affected individuals and families.

This paper delves into the various aspects of the Temporary Accommodation crisis, drawing upon decades of experience in working with local authorities. It examines governmental initiatives, assesses different strategies for housing stock acquisition, and evaluates the pros and cons of each approach. Our goal is to provide a comprehensive perspective on the potential solutions and strategies available to local authorities in their pursuit to address this urgent issue.

This paper aims to contribute valuable insights and practical guidance to support local authorities in navigating the complex landscape of housing provision and offer a nuanced understanding of the challenges and opportunities in developing effective Temporary Accommodation strategies.



TEMPORARY ACCOMMODATION CRISIS

The escalating crisis in Temporary Accommodation in the UK is a pressing concern for local authorities. The dramatic increase in the number of households living in Temporary Accommodation reflects a deepening housing crisis, characterised by a growing homeless population and an acute shortage of

social housing. This situation has led councils to rely increasingly on costly private Temporary Accommodations, such as hotels and bed-and-breakfast establishments, to provide shelter for those awaiting permanent housing solutions.

The impact of this crisis extends beyond the immediate lack of housing. Living in Temporary Accommodation often means uncertainty and instability for families and individuals, affecting their well-being, mental health, and ability to plan for the future. The conditions in some Temporary Accommodations can be less than ideal, with issues like overcrowding, inadequate facilities, and lack of privacy being common. For children, this instability can disrupt their education and have long-term effects on their physical and psychological development.

Additionally, the financial burden on local authorities is

substantial. The cost of providing Temporary Accommodation is

Between April and June 2023, the number of households living in Temporary Accommodation rose by

10.5%

vast, and with budgets already stretched, this is putting further strain on local government resources. The reliance on private accommodation often comes at a premium, significantly impacting councils' ability to allocate funds to other essential services.

140,000

This figure represents the number of children included in 105,750 households living in Temporary Accommodation, highlighting a significant impact on families.

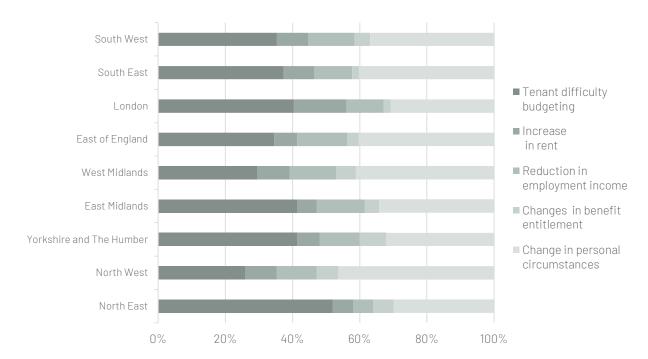
13.8%

Increase in the number of households with dependent children living in Temporary Accommodation compared to the previous year, indicating a growing family housing crisis.

37.6%

Increase in the number of households living in unsuitable bed and breakfast (B&B) accommodations from the previous year, reflecting worsening conditions in temporary housing.

Rising rents and reduced incomes are deepening the UK's housing crisis. In London, rent hikes place the heaviest burden, while in the North West, personal changes affect many. These financial challenges are forcing more into precarious living situations, emphasising the need for immediate, effective housing solutions.



The challenge for local authorities is to develop effective, sustainable strategies that not only address the immediate need for shelter but also tackle the underlying causes of the housing crisis. This includes increasing the supply of affordable social housing, implementing policies that prevent homelessness, and providing support services for those at risk of losing their homes.

GOVERNMENT INITIATIVES

A significant issue in managing the housing crisis is the funding cap for Temporary Accommodation placements. Since 2011, the housing benefit subsidy cap for Temporary Accommodation has been frozen, impacting the ability of councils to claim back costs from central government. This freeze has created financial strains on local authorities, limiting their capacity to provide adequate temporary housing solutions.

In addressing the ongoing challenges, the UK has implemented several key initiatives. The "Everyone In" campaign, launched during COVID-19, aimed to rehouse rough sleepers. The Homelessness Prevention Grant provides funds to councils for early intervention. The Homes for Ukraine scheme, a more recent addition, offers housing assistance to Ukrainian refugees. These programs represent the UK's strategy in tackling immediate and preventive aspects of homelessness, both domestically and in response to international humanitarian needs. However, it's early to gauge the full impact of these programs. This raises a critical question: Are these measures sufficient to tackle the broader homelessness crisis effectively?

EVERYONE IN CAMPAIGN

A UK-wide initiative during COVID-19 to move people from rough sleeping to suitable accommodations.

Funds Committed:

f2hn

HOMELESSNESS PREVENTION GRANT

Funds provided to councils across the UK to prevent homelessness and help secure homes.

Funds Committed:

£654mil

HOMES FOR LIKRAINE

A UK-wide initiative actively supporting Ukrainian refugees with housing by pairing them with sponsors.

Funds Committed:

£150mil

In the specific context of London, the Mayor's Council Homes Acquisition Programme (CHAP) is a notable initiative. CHAP supports the acquisition of homes from the private market for conversion into social rented housing or Temporary Accommodation, addressing the immediate housing shortage in the city. This program is a positive step towards increasing the availability of affordable housing in London. However, given the scale of the housing crisis in the city, CHAP, while a significant move, may not be sufficient on its own to meet the rapidly growing demand for affordable housing. The program's long-term impact in alleviating London's housing shortage and its role within the broader housing strategy of the city require continuous critical assessment and adaptation to evolving needs.

OVERVIEW OF STOCK TYPE ACQUISITION OPTIONS

Local authorities have various options for acquiring housing stock acquisition options to provide Temporary Accommodation. Each of these options presents unique opportunities and challenges, requiring a careful and informed approach by local authorities to address the complex needs of their communities effectively.

BUY-BACKS OF EX-LOCAL AUTHORITY STOCK	Re-acquiring properties that were previously owned by local authorities but sold, typically under schemes like Right to Buy.
"STREET PROPERTIES"	Acquiring existing residential properties on the open market, often referred to as "street properties".
NEW BUILD BLOCKS	Acquiring newly completed residential blocks or developments.
FORWARD PURCHASE AGREEMENTS	These agreements involve committing to purchase new developments/blocks before their completion.
DEVELOPMENT LAND	Developing housing projects in-house via acquiring land of utilising their existing land banks.
LONG TERM FRI LEASES	Typically 20-50 year inflation linked lease where on expiry an asset is typically transferred to LA at £1.

BUY-BACKS OF EX-LOCAL AUTHORITY STOCK

Local authorities are increasingly turning to the buy-back of ex-local authority stock as a strategy to tackle housing shortages. This approach, which involves reacquiring properties sold under schemes like Right to Buy, offers several advantages. The familiarity with these properties can lead to cost-effectiveness, particularly when combined with direct marketing strategies that avoid estate agent fees.

However, the buy-back strategy is not without its challenges. The availability of suitable properties can be limited, and many may require significant refurbishment and retrofitting to comply with both current ESG standards and Fire Regulations. Assessing the condition of these properties is crucial, as is

Number of Social Homes lost between 2012 and 2023 due to Right to buy is:

157,000

estimating the costs to refurbish them to modern standards. Another critical aspect is the consideration of pre-planned expenses for the building, particularly under Section 20 of the Landlord and Tenant Act 1985, which covers major works and compliance with the Decent Homes Standard. Financial assessments must also account for any unpaid service charges by leaseholders, as these could become liabilities for the council post acquisition.

Councils must carefully evaluate the mix of council-owned versus privately-owned units in a block. This assessment impacts several factors, including the ease of building management, decision-making in communal areas, and maintaining a balanced community structure. An imbalance can lead to complexities in managing the property and achieving consensus among residents, especially for maintenance and improvements.

The buy-back of ex-local authority stock, therefore, requires a balanced approach. While it offers a familiar and potentially cost-effective route to expanding housing stock, it also demands careful planning and consideration of long-term financial implications and refurbishment needs. As part of a broader housing strategy, buy-backs can be a valuable tool for local authorities. However, they must be pursued with a clear

understanding of their complexities and challenges. The effectiveness of this strategy in addressing housing needs is crucial and warrants careful consideration and continuous assessment. Local authorities must navigate the nuances of property condition assessment, financial planning, community integration, and legal compliance to ensure the success of their buy-back initiatives.

"STREET PROPERTIES"

This method involves purchasing existing residential properties from the open market, which offers the advantage of quicker access to diverse housing options compared to building new homes. However, it demands a comprehensive evaluation of various factors to ensure successful integration into the social housing system.

One of the primary considerations is the condition of these properties. Often, "street properties" require substantial refurbishment to bring them up to modern living standards and make them suitable for their intended use. This refurbishment can range from structural repairs to updating facilities, including necessary improvements to meet energy efficiency standards. Given the increasing focus on environmental sustainability, local authorities are also assessing the potential for incorporating green features into these properties, such as improved insulation or renewable energy sources.

Furthermore, financial viability is a significant aspect of the acquisition process. It includes not only the initial purchase price but also the ongoing maintenance and operational costs. Luxury fittings in some properties, while attractive, might lead to higher maintenance expenses. Therefore, a thorough financial assessment is essential to ensure that the investment is sustainable in the long term.

Ensuring that the property meets all legal as well as regulatory requirements, including safety standards, occupancy regulations, and planning permissions, is non-negotiable. Each acquisition must comply with these standards to quarantee the safety and well-being of its occupants.



Finally, each property acquisition should align with the broader strategic housing goals of the local authority. This includes considering the balance and diversity of the community and the long-term urban development plans. Acquiring "street properties" is more than just adding numbers to the housing stock; it's about enhancing the quality and diversity of the housing options available to meet the varied needs of the community.

Balancing immediate housing needs with considerations of long-term sustainability, community integration, and financial viability is crucial. This approach ensures that each acquisition contributes positively to the local housing landscape, addressing immediate needs while fostering sustainability and community welfare. The success of this strategy in effectively alleviating housing challenges hinges on the careful consideration and strategic planning of these diverse factors.

NEW BUILD BLOCKS

Compared with street and Buy Back properties, newly completed residential blocks are often more energy-efficient and equipped with modern amenities, come with building warranties, providing a layer of security against construction defects. The current market dynamics, characterised by developers struggling with slow sales due to factors like rising interest rates and the phasing out of Help to Buy, have created opportunities for local authorities to negotiate favourable purchase conditions, including possible block discounts.



However, the acquisition of new build properties tends to come with an initial premium. Higher purchase prices and the possibility of steep service charges, especially in developments with extensive facilities, are significant considerations. The management of these properties can also introduce complexities, particularly when units are spread across different locations within a development.

For local authorities, integrating new builds into their social housing strategies requires a careful balancing act. Assessing the cost-effectiveness of these properties, both in terms of purchase and maintenance expenses, is crucial. Equally important is ensuring that these new builds meet the specific needs of their intended occupants. Local authorities need to weigh these factors against their overall housing strategy, considering how the addition of new builds contributes to the diversity and quality of their housing options. The decision to invest in new build properties should align with the broader objectives of addressing housing needs while ensuring financial and operational sustainability.

"NEWLY COMPLETED RESIDENTIAL BLOCKS OFFER MODERN AMENITIES AND ENERGY EFFICIENCY BUT COME WITH HIGHER PURCHASE PRICES AND POTENTIALLY STEEP SERVICE CHARGES."

FORWARD PURCHASE/FUND AGREEMENTS

Forward Purchase/Fund Agreements (FPAs) allow local authorities commit to purchasing new build properties prior their completion. This approach differs from buying already completed residential blocks from the point of risk perspective. With FPAs, payment structures can vary, from a 10% initial payment with the balance due upon completion, to more staggered payments throughout the development phase. The latter, being a forward fund model which presents a higher level of risk associated with the development itself, but also has the potential to achieve greater discounts.

One advantage of FPAs over purchasing completed new builds is the ability to pre-agree on the specification of the units, tailoring them to specific needs and potentially achieving greater discounts. However, this comes with the inherent risk of development delays or failures. To mitigate this, thorough due diligence on the developer and contractor is essential, ensuring they have sufficient capital reserves and a track record of successful project completion.

Balancing risk and reward is key in FPAs. While there is the potential for greater financial savings and customisation, the development risk can be significant. This contrasts with the purchase of completed new builds, which, while typically more expensive and less customisable, offer more immediate housing solutions with less developmental risk. Local authorities must weigh these factors carefully to determine the best approach for expanding their social housing portfolios, considering both immediate needs and long-term strategic goals.

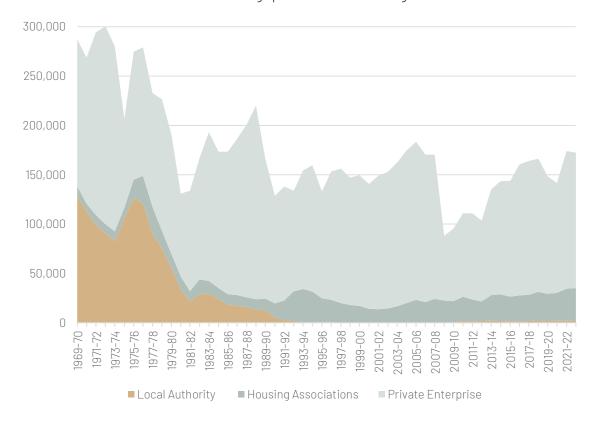


DEVELOPMENT IAND

The current state of council-led house building in the UK reveals a significant disparity between London and the rest of the country. While London has seen a resurgence in council house building, with ambitious targets set by the Mayor, the rest of England shows a stark decline. The number of council homes started outside London is much lower, contributing to an overall reduction in social housing stock. This decline is influenced by factors such as reduced building activities and the loss of homes through the Right to Buy scheme. Despite London's increased efforts, which mark a positive development, they represent only a fraction of the total affordable housing delivery and are insufficient to counter the national downward trend. The challenges facing council-led house building programmes are substantial, involving complex political, financial, and regulatory landscapes.

The below graph showing permanent dwellings started by local authorities underscores a significant shift over time. Initially robust, these starts have diminished significantly compared to Private Enterprise and Housing Associations, illustrating the challenges local authorities face in maintaining social housing construction. This decline necessitates a strategic pivot, where authorities must now balance the complexities of new developments with financial and regulatory constraints. As we look at the current role of local authorities, the graph sets a historical context for the necessity of innovative and efficient project management in tackling today's housing needs. Moving forward, local authorities are tasked with developing sustainable, affordable housing, a goal that requires careful planning and strategic thinking.

House building: permanent dwellings started



When choosing to develop housing projects themselves (either via acquiring land of utilising their existing land banks), LAs take on a role that combines urban planning, project management, and community development. This approach allows councils to directly address specific housing needs and priorities, such as affordability, sustainability, and suitable amenities tailored to the community. By managing the development process, councils can ensure that new housing projects align closely with their strategic housing goals and urban development plans.

Undertaking development projects involves navigating complex planning and regulatory processes, which can be time-consuming and require specialised expertise. Councils must manage the entire lifecycle of the project, from land acquisition to planning, design, construction, stabilisation, and, eventually, property management. This holistic approach



offers the opportunity to incorporate innovative design and sustainability features from the outset, potentially setting new standards in social housing.

Financial management is a critical aspect of this process. Councils must secure funding for these projects, which could come from various sources, including government grants, borrowing, or reinvesting proceeds from other council activities. The financial risks are significant, as project costs can escalate, and delays are common in construction projects. Effective financial planning and risk management strategies are essential to ensure that projects remain viable and deliver value for money.

The direct development of housing projects also allows councils to engage more closely with the community. This can include consultations to understand local needs and preferences, which helps in creating housing that is well-received by future residents and the wider community. Additionally, these projects can have broader economic benefits, such as creating local jobs and stimulating local businesses.

However, there are challenges to this approach. The risk of construction delays, cost overruns, and navigating complex building regulations can pose significant hurdles. Councils need to have, or acquire, the expertise in project management, construction, and real estate development to successfully manage these risks. They also need to ensure that the development aligns with broader urban development strategies and does not negatively impact the existing community infrastructure. The success of these projects hinges on careful planning and community engagement, with the ultimate goal of creating sustainable, affordable, and community-oriented housing solutions.

LONG TERM FRI LEASES

Long-term leasing of properties by local authorities is a nuanced strategy that has been subject to criticism, as some authorities have encountered challenges in its implementation. However, with the upcoming recalibration of the LHA rate, aligning it closer to local market rents, and thorough sensitivity testing, this approach could become a more viable option.

The primary advantage is the absence of immediate capital requirements, allowing local authorities to acquire newly built homes without upfront investment. So called 'Cash light' approach. However, the financial risks associated with CPI unpredictability and potential discrepancies between the rent paid and housing benefits received are significant. In addition, FRI terms mean that local authorities are responsible for repairs and maintenance, which, while covered by warranties in the initial years, could become a substantial financial burden as the property ages.

Lease Structure

This model typically involves leasing newly built developments for periods ranging from 20 to 50 years on Full Repairing and Insuring (FRI) terms. Rent is often linked to the Consumer Price Index (CPI), with a collar (0%) and cap (typically 4%) to manage fluctuations, balancing the lease costs over time.

These leases are structured off-balance-sheet, meaning they do not appear as liabilities on the local authority's balance sheet, thereby not affecting borrowing limits. Notably, at the end of the lease, the asset reverts to the local authority for a nominal sum, often just £1.

The recalibration of the LHA rate in 2024, aligning it with the 30th percentile of local rents, creates new opportunities for local authorities in long-term leasing agreements. This adjustment potentially allows for a larger buffer between the rent offered to investors/developers and the LHA rate, making deals more financially viable for local authorities whilst potentially being more palatable for the developers. However, the benefit cap's impact on total household support must be considered. This change in LHA could shift the financial dynamics of these leases, offering local authorities more room to negotiate and maintain financial sustainability in their housing projects.

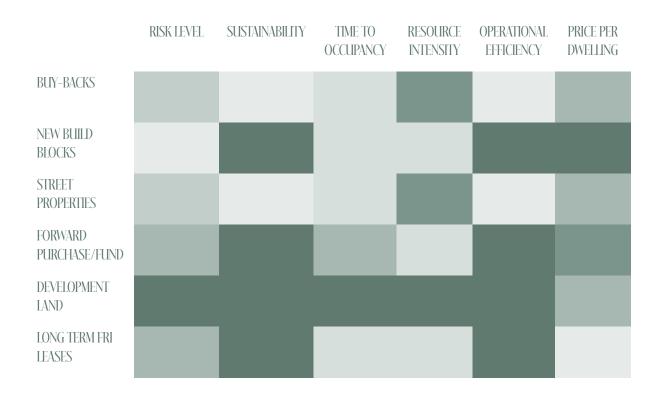
There's also a legal aspect to consider. The Local Housing Allowance (LHA) primarily applies to short-term housing benefits, and the existing legislation is largely silent on long-term leases. This ambiguity allows room for interpretation on whether local authorities can charge Housing Benefit above the LHA rate for long-term commitments, potentially at market rent. This interpretation requires legal expertise to navigate the complexities of housing benefit regulations.

Despite some negative perceptions, this approach, if executed correctly with effective risk management, can be a viable option for expanding housing stock and serving community needs. The key is in the detailed financial modelling and maintaining a buffer to absorb potential changes in expenses and revenues.

PORTFOLIO COMPOSITION

The objective for local authorities in constructing their housing portfolio is clear: to efficiently meet the housing needs of their communities while aligning with organisational goals. This requires a strategic approach in evaluating various housing assets. A logical starting point is assessing each type of housing asset against a set of defined metrics. We have used the following metrics:

- **Risk Level** in this context refers to the likelihood of financial loss, delays, or complications. Darker colours indicate higher risk, while lighter colours signify lower risk.
- Sustainability measures the environmental impact and energy efficiency of the housing asset with darker colours represent higher sustainability, while lighter colours indicate lower sustainability.
- Time to Occupancy reflects the time span from deciding to acquire the asset to when tenants can move in. Darker colours represent longer timeframes, while lighter signalling faster availability.
- Resource Intensity indicates the amount of resources (like manpower) required for the transaction. Darker colours suggest higher resource intensity, while lighter colours stand for lower intensity.
- Operational Efficiency assesses how effectively the asset can be managed and maintained. Darker colours indicate higher, while lighter colours represent lower operational efficiency.
- **Price Per Dwelling** represents the cost of each housing unit within the asset. Darker colours suggest a more expensive option, while lighter colours denote a more affordable price range.

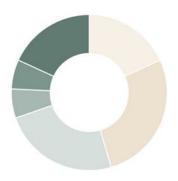


This visual differentiation aids in quick assessment and decision-making. However, local authorities should feel free to modify or expand this set to include metrics that are more relevant to their specific objectives and community needs. The assessment process should be driven by the local authority's key objectives. Different types of assets will naturally align differently with various goals. For instance, assets that score highly in 'Time to Occupancy' might be preferable for authorities needing quick solutions, while those with better 'Long-term Sustainability' might be suited for long-term planning.

Through this assessment, certain housing assets may emerge as unsuitable or 'no-go' options. These are assets that fall short in crucial metrics and do not align with the overarching strategy or goals. Identifying these early in the process helps in focusing resources and efforts on more viable options.

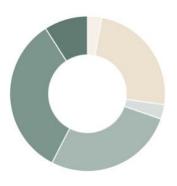
The below visual guide provides a strategic overview of potential housing portfolios, tailored to different needs and goals. These visual representations are designed to serve as a starting point, highlighting how different housing assets can be combined to align with specific strategies. It's important to remember that these are examples and should be adapted to suit the specific needs and strategic goals of each local authority:

Example Strategy for Low Budget and Immediate Housing Demand



Key focus on affordable and quick-to-deploy housing options

Example Strategy for High Budget and High Sustainability Goals



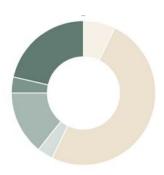
Focus on long-term sustainability and ecofriendly housing solutions.

Example Strategy for Limited Resources but Long-term Objectives



Key Focus on assets promising growth and scalability

Example Strategy for a Balance of Immediate Need and Sustainability



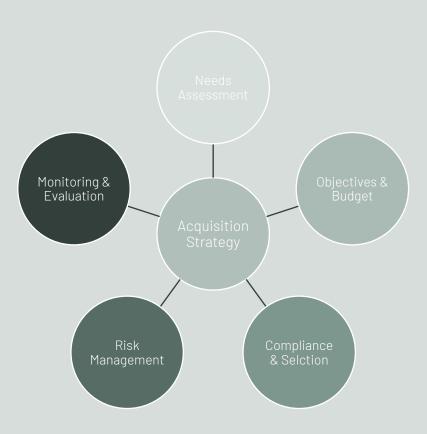
Key Focus on mix of quick solutions and sustainable investments.

Buy-Backs New Build Blocks Street Properties Forward Fund Development Land FRI Leases

DEVELOPING ROBUST STRATEGY

Developing a robust and mobile strategy for Temporary Accommodation acquisition is essential for local authorities. This comprehensive process begins with a detailed **needs assessment**, where the demand and types of required accommodation are quantified, ensuring alignment with the broader housing objectives. Establishing **clear objectives** and thorough **budget planning** is critical. This step involves setting KPIs, developing a detailed budget, forecasting and exploring best value for money as far as the funding options are concerned.

An emphasis on **compliance** and strategic property **selection** ensures that all acquisitions offer value for money and adhere to legal standards. This involves establishing strict selection criteria and prioritising properties that best meet the identified needs.



Risk management is another crucial aspect, where potential challenges are identified, and strategies are developed to mitigate these risks. Sensitivity analysis plays a key role in this, helping to forecast various scenarios and prepare for unforeseen circumstances.

The final step in the strategy is continuous monitoring evaluation. This involves collecting and analysing data, tracking progress against key performance indicators, and making informed adjustments to the strategy as needed. This ongoing process ensures that acquisition strategy remains responsive to changing needs and market conditions.

Through this holistic approach, local authorities can effectively address the complex challenge of providing Temporary Accommodation, ensuring that their strategies are both effective and adaptable to the evolving housing landscape.

SHARING KNOWLEDGE & EXPERIENCE

We believe that it is crucial to establish a forum for local authorities to address the Temporary Accommodation crisis. Such a collaborative space would serve as a hub for sharing experiences, strategies, and insights on tackling housing challenges. It would operate as a knowledge exchange platform, where authorities can discuss successful approaches and learn from failures. This collective learning environment would enhance the understanding of what works and what doesn't in different contexts.

The forum could include workshops, webinars, and an online repository of case studies and best practices. Regular meetings, either virtual or in-person, would facilitate ongoing dialogue and relationship building. It could also feature a collaborative database, where authorities can input and access data on various housing projects, outcomes, and innovations.

Additionally, this forum would be instrumental in policy advocacy. By consolidating experiences and data, local authorities can better influence national housing policies, ensuring they are grounded in practical, proven strategies. The forum's collaborative nature would also foster a sense of community among participants, encouraging solidarity and collective action in facing the housing crisis.

This initiative would require commitment and active participation from various local authorities. It would need a structured framework for sharing and managing information, with clear guidelines to ensure productive and respectful exchanges. The success of this forum hinges on its ability to facilitate open, honest, and useful communication, allowing local authorities to learn from each other and jointly develop more effective solutions for Temporary Accommodation.

"A forum for local authorities to share strategies and insights on housing challenges could foster solidarity and drive effective solutions for the nationwide housing crisis."

In essence, the creation of this forum is not just about sharing knowledge; it's about building a united front against the nationwide housing crisis, leveraging the power of collaboration to drive change and make a tangible impact on communities across the country.

BUILDING FUTURES AND ENDNOTE

Temporary Accommodation crisis in the UK is characterised by an increasing number of households in need of immediate housing and a shortage of affordable options, calls for innovative and sustainable solutions. As we have seen, local authorities are navigating a landscape filled with various acquisition options, each presenting its own set of benefits and challenges.

The rise in homelessness and the pressing need for Temporary Accommodation have highlighted the necessity of adopting a holistic approach. Local authorities must consider not only the immediate need for shelter but also the long-term implications of their housing strategies. The integration of new builds, buybacks, and innovative acquisition methods like forward purchase agreements and long-term FRI leases into their housing portfolios requires careful consideration of financial sustainability, community impact, and legal compliance.

The Temporary Accommodation crisis is not just a housing issue; it is a social issue that impacts the fabric of communities and the well-being of countless individuals and families. It demands a response that is as dynamic and multifaceted as the problem itself. Local authorities, equipped with the insights from decades of experience and the collective wisdom shared through forums and collaborations, stand at the forefront of this challenge. Their actions and strategies will not only shape the immediate response to the housing crisis but also define the path towards a more sustainable and inclusive future for housing in the UK.

The path forward is clear but not without its obstacles. It requires a commitment to innovation, collaboration, and a deep understanding of the complex interplay between housing, community needs, and economic realities. The journey towards resolving the Temporary Accommodation crisis continues, and it is one that necessitates continued dialogue, learning, and action.

Areas to Explore

The journey doesn't end here.

This paper presents further questions and areas for exploration. What innovative funding models can be explored to support the acquisition and maintenance of housing stock without placing undue strain on local government budgets?

How can local authorities better collaborate, not only among themselves but also with private and third-sector organisations, to enhance the effectiveness and reach of their housing strategies?

How can local authorities
remain agile and responsive to
new challenges and
opportunities? What role can
technology and data analytics
play in improving the planning,
implementation, and monitoring
of housing acquisition
strategies?

And importantly, how can the voices and needs of those most affected by the housing crisis be better integrated into the decision-making process?

