

Title of meeting: Cabinet Member for Housing & Tackling Homelessness

Date of meeting: 12th March 2025

Subject: Acquisition of Temporary Accommodation

Report by: James Hill - Director for Housing, Neighbourhood and Building Services

Author: Jo Bennett - Assistant Director of Housing Need and Supply
Alan Denford - Finance Manager (Housing)

Wards affected: All

Key decision: Yes

Full Council decision: No

1. Purpose of report

- 1.1 To seek approval from Cabinet Member for Housing and Tackling Homelessness to acquire a minimum of 200 properties for use as Temporary Accommodation in 2025/26 and 2026/27(Homes for Temporary Accommodation Project).
- 1.2 To seek approval for capital expenditure of £31.28m to acquire and refurbish the 200 properties to be held in the Housing Revenue Account.

2. Recommendations

- 2.1 That the Cabinet Member for Housing and Tackling Homelessness approves Housing Revenue Account (HRA) Capital Expenditure of £31.28m, to deliver a minimum of 200 units, phased £15.64m in 2025/26 and £15.64m in 2026/27.
- 2.2 That the Cabinet Member for Housing and Tackling Homelessness delegates authority to the Director of Housing, Neighbourhood and Building Services, in consultation with the Director of Finance & Resources (S151 Officer), to agree the use of HRA unsupported borrowing to support each of these acquisitions based on an individual Financial Appraisal of estimated income and expenditure.
- 2.3 That the Cabinet Member for Housing and Tackling Homelessness notes that a General Fund contribution of up to £1.87m from the MTRS Reserve has been approved by the S151 Officer to ensure the HRA does not incur a negative cash flow in the first 10 years after acquisition.

2.4 That the Cabinet Member for Housing and Tackling Homelessness delegates to the Director of Housing, Neighbourhood and Building Services, in consultation with the City Solicitor, to enter contracts to support the acquisitions.

2.5 That the Cabinet Member for Housing and Tackling Homelessness requests housing cabinet reports to be presented mid-year and end of year report to report and update on the progress of the Homes for Temporary Accommodation Project.

3. Background

3.1 In Portsmouth the number of households in temporary accommodation (TA) rose by 54% in 2024/25 to more than 500, while the costs have risen by 84%.

3.2 The increased demand and financial burden has resulted in a forecasted overspend of £5.9m in Q.3 of 2024/25.

3.3 The Cabinet at the 4th of March meeting will receive a report outlining the funding position for all homelessness services which will provide detail on the overall funding position from 2025/26.

3.4 The Council has a statutory duty to provide temporary accommodation to homeless applicants in certain circumstances (*the Housing Act 1996 (as amended)*).

3.5 The Council must secure that accommodation is available for an applicant where it has reason to believe they may be homeless, eligible for assistance and in priority need (*The Housing Act 1996, Section 188*). This duty is known as the 'interim duty' and continues until the Council has made a final decision as to whether the applicant is owed the 'main housing duty'. A further temporary accommodation is owed in those cases where a main housing duty is owed (section 193) until permanent accommodation is made available.

3.6 The provision of temporary accommodation is a statutory duty and priority for the City Council. The Council's duties in respect of homelessness fall outside of the scope of the Housing Revenue account. The service and administration of temporary accommodation and homelessness services are the responsibility of HNB's Housing Needs, Advice & Support (HNAS) and therefore funded by the Housing & Tacking Homelessness Portfolio's General Fund (HGF) budget.

3.7 The Council is empowered to provide housing accommodation by erecting or acquiring property (*The Housing Act 1985, Section 9*). This includes the acquisition of temporary accommodation.

3.8 Properties acquired under Section 9 powers must be accounted for in the HRA (*Local Government and Housing Act 1989, Section 74(1)*).

4. The Homes for Temporary Accommodation Project

- 4.1 To support and alleviate TA demand pressure the plan makes best use of the HRA to acquire a minimum of 200 properties for use as Temporary Accommodation in 2025/26 and 2026/27. The plan uses borrowing capacity in the HRA (capital expenditure of £31.28m) to acquire and refurbish the 200 properties to be held in the Housing Revenue Account.
- 4.2 The acquisition of residential units for temporary accommodation using a Council's Section 9 power will allow for the HRA to fund the repair and maintenance of that accommodation. It is essential however that duties under the 1996 Act are accounted for in the General Fund.
- 4.3 Portsmouth City Council's Constitution (*Section 5B(15), Part 2, Local Government Act 2000*) sets out that the Director of Housing, Neighbourhoods & Building Services has the authority to purchase residential property for both the Housing Revenue Account and the Housing General Fund this can include but is not limited to the repurchase of ex-council properties including leasehold flats.
- 4.4 The Capital Programme (*B11 Financial Rules*) contains details of approved budgets for Capital Schemes. Any approved scheme of any value can only commence following:
- (i) Approval by the S151 Officer or his delegated representatives of a full and proper financial appraisal;
 - (ii) Consultation of the detailed scheme with the relevant Portfolio holder.
- 4.5 In times of high demand, properties acquired via the HRA for general needs purposes, will be offered to HNAS as first refusal to be used for TA. Should the demand for TA reduce those properties can be returned to general needs stock.
- 4.6 Properties will be acquired using similar principles to the Council Housing Replacement Homes Scheme. However, due to the funding mechanism each acquisition is subject to meeting the following financial eligibility criteria:
- (a) Up to the value of £300,000;
 - (b) Evidence a cost avoidance of at least £20,000 within year 1;
 - (c) Have a favourable Net Present Value (NPV) for the HRA;
 - (d) Have no HRA deficits beyond year 10;
 - (e) Have an HRA deficit of less than £1,750 in year 1; and
 - (f) Have a total HRA deficit of less than £9,350 in years 1 to 10.
- Any proposed acquisitions that do not meet these criteria can be considered on a case-by-case basis by the Director of Housing, Neighbourhood & Building Services and the Cabinet Member for Housing and Tackling Homelessness.
- 4.7 Each acquisition must be supported by a financial appraisal approved under the delegated authority of the Council's Section 151 Officer and approved by the approval panel made up of the Assistant Director for Housing Need & Supply,

Housing Finance Manager, Head of Capital Projects, Housing Asset & Valuation Manager, Interim Head of Housing Supply or their delegated officers.

- 4.8 The sales agreed are for vacant possession, subject to negotiation and contract.
- 4.9 The Homes for Temporary Accommodation Project will be run in parallel with the existing acquisition strategy, including the Council Housing Replacement Homes Scheme which will continue to be the primary supply of additional general needs housing.
- 4.10 The Homes for Temporary Accommodation Project will report the progress of the acquisitions quarterly through the member and governance audit and standards committee, performance reporting framework.

5. Reasons for recommendations

- 5.1 The general fund budget pressure arising from the statutory duty to meet the rising demand for TA is unsustainable. Government have announced additional funding from 2025/26, but it isn't sufficient to meet the costs to meet the current levels of demand for TA. The acquisition plan is designed to have impact on reducing the cost of the most expensive forms of TA that the City Council is currently using and has the potential, as set out in section 8 of this report, to lead to a significant cost saving in the General Fund Homelessness budget of up to £6m per annum, assuming the current demand for TA remains consistent.
- 5.2 The addition of 200 units of homelessness accommodation would reduce the current need to rely on less suitable but costly privately rented accommodation, creating the capacity to provide better quality self-contained accommodation with the facilities needed for families to live well whilst waiting for a home.
- 5.3 This acquisition programme will increase the number of homes used for social housing in Portsmouth to be held in the HRA.
- 5.4 Should there be a sustainable reduction in the demand for TA, properties acquired under this scheme can be returned to general needs use, therefore, increasing available housing stock for allocation from the housing register and creating a housing legacy.
- 5.5 The acquisition plan makes best use of the City Council's Housing Revenue Account to support the TA crisis without having an adverse financial impact on the HRA. The Financial Appraisal anticipates favourable cash flows of £44.8m for the HRA over 50 years with a Net Present Value of £7.8m.
- 5.6 The acquisition plan forms part of several actions underway to mitigate the TA pressures and further reports will be brought to Housing Cabinet Member to update and report on progress.

6. Integrated impact assessment

6.1 An integrated impact assessment has been completed and no adverse equality implications were identified. Attached as Appendix A.

7. Legal implications

7.1 The report sets out within it the financial, legal, and competency-based approach to the re-purchase of housing stock to augment the HRA. The basis of spend is alluded to within paragraph 2.3 of the report along with financial appraisal process being set out in paragraph 4.7. The LA has the appropriate statutory powers contained within section 9 of the Housing Act 1985 which covers the basis upon which an LA may acquire or indeed erect property for the purposes of discharging its statutory functions (provision of housing to be held within the HRA for usage by the LA). The power to acquire within sec 9 is a discretionary power and nothing within that section shall be taken as placing a mandatory requirement upon the LA to purchase any property.

8. Director of Finance's comments

8.1 The Council will fund the acquisition of the 200 properties using unsupported borrowing within the Housing Revenue Account. A financial appraisal has been carried out that considers the initial capital outlay, borrowing costs, ongoing revenue expenditure and rental income. The appraisal also considers the annual cost savings in the General Fund Homelessness budget of up to £6m per annum. The appraisal shows that the proposal will have a positive effect on the HRA's 30-year business plan. However, as there are likely to be annual cash flow deficits in the first 10 years of £1.87m, an equivalent General Fund contribution will be provided to the HRA and funded from the MTRS Reserve.

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 Signed by: **James Hill**
Director for Housing, Neighbourhood and Building Services

Appendices:

Appendix A: Integrated Impact Assessment (IA687571499)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Homelessness Strategy 2024-2029	Homelessness Strategy 2024

Temporary Accommodation placement policy 2020 - 2025	Temporary accommodation placement policy 2020-2025 - Portsmouth City Council
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The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by on

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Signed by: