Chalkhill Partners - TA Acquisition and Lease Project - Appendix 1

1. Background

Policy context

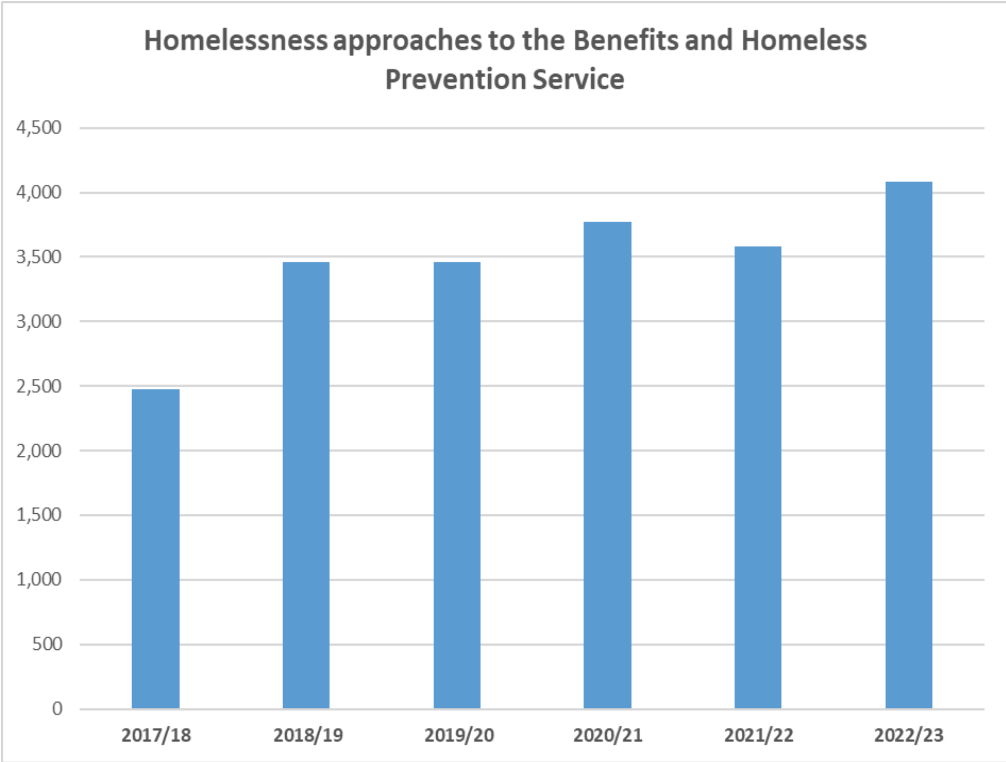
1.1. There are significant demands for affordable housing in the borough; the lack of affordable housing options is driving homelessness and increasing the number of households requiring assistance.

1.2. The context for the wider housing crisis and pressures on supply of temporary accommodation were explored in detail with the Living in Hackney Scrutiny Commission in March 2023: https://hackney.moderngov.co.uk/ieListDocuments.aspx?CId=119&MId=5540.

1.3. There are over 8,300 households waiting for a home on the Council's Housing Register. By contrast the supply of social housing being made available to let is reducing considerably; only 652 lets were made available during 2020/21, compared to 1,229 in 2016/17.

1.4. The Council continues to strive to improve supply of all forms of housing, including an ambitious programme to build additional social properties, but demand vastly exceeds what we can deliver. With options diminishing, a growing number of households need to be placed into temporary accommodation while our team supports them to find a settled solution to their housing needs.

1.5. We have seen a significant increase in Hackney residents approaching the service with some level of housing need and/or who are facing potential homelessness. In 2022/23, over 4.085 residents approached the Council seeking help to source alternative accommodation. This represents an increase of 18% on 2018/19, following the introduction of the Homeless Reduction Act. The number of approaches in 2022/23 were up by 14% on the previous year, as a consequence of the lifting of the Covid 19 temporary relief measures and the cost of living crisis.

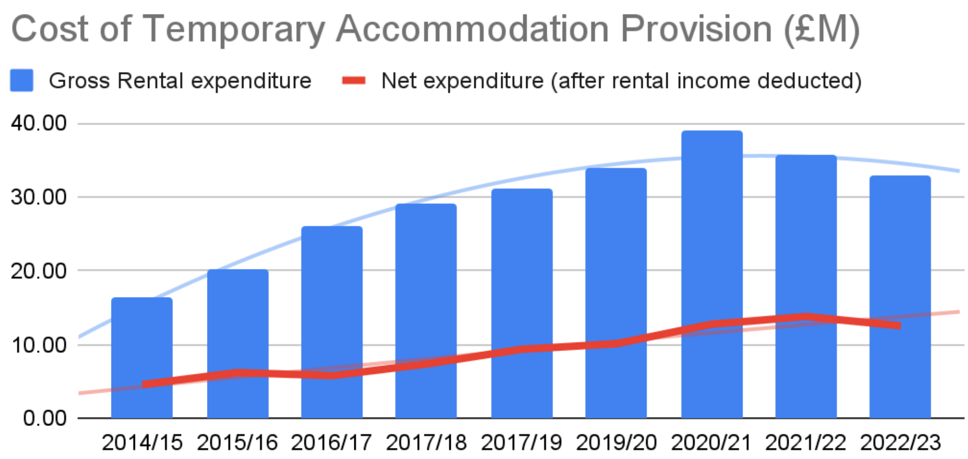


1.6. Currently, the Council has responsibility for housing 3,041 households in temporary accommodation. In order to be in a position to discharge our statutory housing duty to these households, we are required to make a reasonable offer of secure, suitable and affordable accommodation. In the current financial climate, the options for placement either within the reducing stock of social housing or into affordable privately rented accommodation are extremely limited and reducing daily.

1.7. The growing need for additional suitable temporary accommodation continues to significantly outstrip the available supply. While we make best use of our current temporary accommodation portfolio, including utilising voids in council stock and acquisition of new properties to increase our in-house stock, the temporary accommodation market is subject to the same pressures that are driving the wider housing crisis.

1.8. In a highly competitive market, it is only our stock of Council owned hostel accommodation units and those secured under long leases that we can be sure will be part of our portfolio in the long term. The availability of other temporary accommodation is extremely challenging, based on spot purchase of nightly accommodation and subject to the prevailing market and the willingness of external providers to offer properties to the Council.

1.9. The challenges of growing demand and reducing supply also have a significant cost impact on the Council. Expenditure on temporary accommodation has been steadily increasing, although this trend was interrupted for 2021/22 as a consequence of the wider impact of the covid emergency and concerted efforts by the service to increase preventative measures and manage costs. The cost trends are set out in the table below:



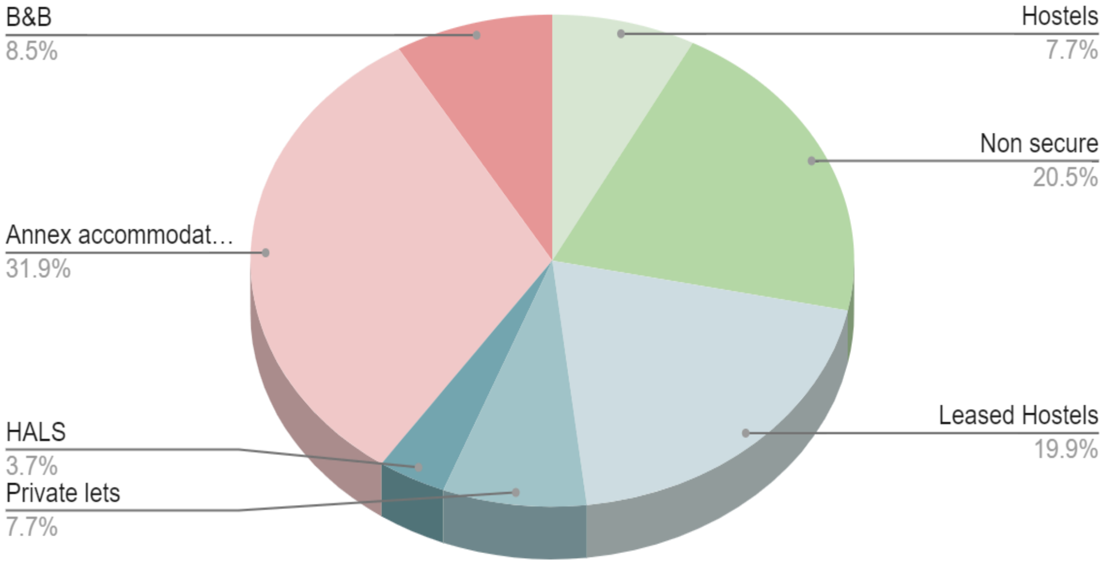
1.10. Importantly, we have seen net costs rising faster than gross expenditure, as a consequence of the need for more short term accommodation, which is more expensive. As we are unable to charge higher rents for this type of accommodation the gap between actual costs and revenue is growing.

1.11. With landlords achieving a greater return in the wider rental market, committing a property to the council for an extended period is no longer financially attractive. Additionally, there is now increased competition from the Home Office who are procuring the same properties at higher rates for moving asylum seekers out of hotel accommodation, thereby placing an even greater strain on Local Authorities. Those landlords that do choose to remain in the temporary accommodation market are seeking greater returns by offering properties under short term/nightly let arrangements. Others are disengaging completely from the Council, either with a view to let commercially or, given both the high value of property and increasing interest rates, opting to sell.

1.12. As a result of these market pressures, we have also seen that the provision of nightly let accommodation is now rapidly reducing. Within the last quarter we have had a worrying and increasing number of units that have been requested back from the Council by managing agents (c 150), putting increasing pressure on our ability to provide an appropriate response and resulting in a growing number of residents in need of temporary accommodation being placed outside of the borough (and increasingly well outside of London).

1.13. Most of the households within our temporary accommodation provision are placed in the Council's own stock of temporary accommodation hostels, or units leased by the Council from both private and registered social landlords. However, as highlighted, this stock level is insufficient to meet the level of demand and diversity of need, and the Council is increasingly required to also purchase nightly let accommodation for emergency/interim provision.

Tenure Type June 2023		**Number of households placed**
Council owned	Hostels	244
	Non secure regeneration: properties used as TA pending redevelopment	624
Long Leased	HALs: Housing Association Leased schemes. Units secured from a registered provider for use as temporary accommodation	111
	Leased Hostels: these are privately owned hostels (mostly single accommodation)	605
	Private Lets: privately owned accommodation secured under private sector lease schemes	234
Short Term and B&B	Annex Accommodation: privately owned accommodation secured on a short term basis with no long term security (often out of borough)	970
	Bed & Breakfast: commercial hotel and B&B accommodation purchased at a nightly rate	258
Total		**3,046**


B&B
8.5%
Hostels
7.7%
Non secure
20.5%
Annex accommodat…
31.9%
Leased Hostels
19.9%
HALS
3.7%
Private lets
7.7%