

MIDDLESBROUGH COUNCIL	
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Report of:	Director of Regeneration
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Relevant Executive Member:	Executive Member for Development
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Submitted to:	Executive
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Date:	4 December 2024
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Title:	Housing Supply
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Report for:	Decision
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Status:	Public
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Council Plan priority:	A successful and ambitious town
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Key decision:	Yes
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Why:	Decision(s) will incur expenditure or savings above £250,000
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Subject to call in?:	Yes
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Why:	Non-urgent report, placed on Executive forward work programme.
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Proposed decision(s)

It is recommended that Executive:	<ul style="list-style-type: none"> a) approves the business case set out in Appendix I aimed at delivering the approved savings of £0.5m over the period 2024/25 to 2026/27 identified within the Council's Transformation Programme as REG07; b) approves the use of approved capital resources from the Towns Fund (£4m) and Levelling Up Partnership (£2.141m), as set out in the Business Case included as Appendix I, to acquire and refurbish properties to increase the supply of housing in order to reduce expenditure on temporary accommodation; and, c) delegate authority to the Director of Regeneration, following consultation with the Executive Member for Regeneration, to utilise the three delivery proposals set out in paragraphs 4.11 to 4.13 of this report, within the approved funding envelope of £6.141m, to maximise potential cost reductions.
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Executive summary

As with all local authorities, Middlesbrough Council is spending increasing sums each year on placing people in expensive temporary accommodation solutions provided by the private sector, in order to comply with legislative duties in relation to homelessness. The rising cost of this temporary accommodation is leading to significant revenue overspends in both Adult Social Care and Children's Social Care. The potential to reduce the amount spent on temporary accommodation has been identified within the Council's transformation programme, through a series of capital investments aimed at securing a supply of suitable properties within the Council's control.

Funding has been identified to support this capital investment through the Towns Fund, and Levelling Up Partnership, that would allow costs to be reduced, and secure better outcomes for families, single people with complex needs, and young people leaving care.

If implemented, the measures in the report should see a reduction in temporary homelessness costs and provision of external residential care for care leavers of £2.091m over a five year period.

1. Purpose

- 1.1 To seek Executive approval to implement a cohesive and co-ordinated approach to providing a housing supply model to address the needs of residents at risk of homelessness, particularly families, single people with complex needs and young care leavers within Middlesbrough and to reduce the significant financial costs to the Council of providing temporary accommodation.

2. Recommendations

- 2.1 It is recommended that Executive:

- a) approves the business case set out in Appendix I aimed at delivering the savings identified within the Council's Transformation Programme as REG07;
- b) approves the use of approved capital resources from the Towns Fund (£4m) and Levelling Up Partnership (£2.141m), as set out in the Business Case included as Appendix I, to acquire and refurbish properties to increase the supply of housing in order to reduce expenditure on temporary accommodation; and,
- c) delegate authority to the Director of Regeneration, following consultation with the Executive Member for Regeneration, to utilise the three delivery proposals set out in paragraphs 4.11 to 4.13 of this report, within the approved funding envelope of £6.141m, to maximise potential cost reductions.

3. Rationale for the recommended decision(s)

- 3.1 The funding available through the Towns Fund and Levelling Up Partnership will be used to create a supply of suitable accommodation with support (where needed) to reduce the usage of expensive temporary accommodation, reducing costs and creating better long-term outcomes for families, single people with complex needs, and young people leaving care.

3.2 The use of capital funding to acquire and refurbish properties to increase the housing supply will complement the proposals of the Empty Properties Strategy – Domestic, which will also be presented to Executive on 4 December 2024.

3.3 If the recommendations of this report are approved, it is estimated that the cost of providing housing will be reduced by £2.091m over a five-year period.

4. Background and relevant information

4.1 The stated ambition behind the introduction of The Homeless Reduction Act 2017 is “to shift the culture of homelessness services towards prevention and provide assistance to all eligible people in need of it, removing barriers for service users.” (Ministry of Housing, Communities and Local Government, 2020).

4.2 The Act introduced an enhanced prevention duty extending the period a household is threatened with homelessness from 28 days to 56 days, meaning that housing authorities are required to work with people to prevent homelessness at an earlier stage; and a new duty for those who are already homeless so that housing authorities will support households for 56 days to relieve their homelessness by helping them to secure accommodation (called the relief duty).

4.3 From April – June 2018 to January – March 2024, the number of households owed a homeless duty in Middlesbrough rose from 135 to 493, which is a 365% increase. Whereas across the North-East over the same time frame, the number of households owed a homeless duty rose from 3550 to 5480, which is a 154% increase. Whilst both increases are high, Middlesbrough’s rise in homelessness has been much more dramatic.

4.4 During the financial year 23/24, the Council spent £1.29m on temporary accommodation, which is the highest expenditure of any financial year to date. Without any housing market intervention, this will continue to be an annual cost pressure to the Council.

4.5 In addition, there are currently 38 young people aged 17 who will require accommodation at the point of leaving care at 18, that will potentially increase the cost pressure still further.

4.6 Authorities should therefore be expected to have more prevention cases than relief cases, as this would indicate a more upstream prevention approach is embedding. An assessment of Middlesbrough’s prevention and relief statistics over the period from April 2018 to December 2023 has highlighted that that Middlesbrough has not yet effectively embedded an upstream prevention approach to homelessness (and beyond the 56 day prevention duty).

4.7 The benefits of a prevention approach are that it costs less in the long-term. A modest investment in prevention activity and resource, can prevent the use of expensive temporary accommodation or cross subsidised supported accommodation. It can reduce the need for Children’s Social Care intervention and costs associated with this.

It can produce longer term better outcomes for children and families, provide stability and create a stable foundation for life.

- 4.8 This route to reducing costs was identified within the Council's Transformation Programme under the heading REG07, as being achievable across a five year period. This will be aligned with the creation of a Head of Strategic Housing role within the Regeneration directorate, to ensure a more joined up approach to the supply of housing to meet the town's needs.
- 4.9 The capital funding available through the Towns Fund and Levelling Up Partnership present an opportunity to invest in the purchase of properties to enable greater control over the options available for people in need of housing, and greater control over costs. Using this capital funding to increase the range of housing options would also enable the Council to achieve significant savings *without* a requirement for the Council to borrow additional capital.
- 4.10 A business case entitled *Delivering a Better Co-ordinated Housing Supply Model* has been developed to identify the three key areas where application of the capital funding would generate the biggest impact. The business case sets out the potential cost savings and is presented for approval as part of the Council's transformation programme. The business case is included as Appendix I, and is summarised below.

Proposals to reduce revenue expenditure on temporary accommodation.

- 4.11 The purchase, refurbishment and commissioning of 15 units of family exempt supported accommodation will deliver the following benefits:
- Reduction in expenditure within Adult Social Care on temporary accommodation of £0.903m over 5 years.
 - Families supported in a whole family way complementing work undertaken by Children's Services.
 - Support to move people towards independence.
 - Likely to reduce repeat incidence of homelessness through support.
- 4.12 The purchase, refurbishment and commissioning of 25 units of singles/couples exempt supported accommodation will deliver the following benefits.
- Cost reduction within Adult Social Care against temporary accommodation budget of £0.596m over 5 years.
 - Holistic support offered acknowledging more complex needs.
 - Support to move to independence would be a key part of the offer.
- 4.13 The purchase, refurbishment and commissioning of 20 units of exempt supported discrete units of accommodation for young people leaving care will deliver the following benefits.
- Cost reduction in residential budget for 16/17-year-olds currently in care of £0.592m over 5 years.

- More holistic, person-centred support offered but particularly independence preparation.

5. Other potential alternative(s) and why these have not been recommended.

5.1 The following options have been explored and assessed as not delivering the same benefits as the recommended approach:

Do Nothing

5.2 The cost of accommodating people in private sector provision is forecast to increase further as demand outstrips supply. The local market is also geared towards the provision of accommodation only, and is not aligned with the support packages required to maintain tenancies and deliver positive outcomes for people with complex needs or care leavers. As a result, the churn in placements would continue, the costs would continue to rise and the stability required to reduce long term dependency would be missing.

Enter into a Partnership with an Existing Provider With Stock

5.3 The option to enter into a partnership with an existing Registered Social Landlord would potentially allow some of the support services to be aligned with a property offer, but the economics of such a model do not work for the landlord without significant additional revenue input from the Council. Commissioning these services from a provider, but utilising stock owned by the Council would significantly reduce the costs.

Impact(s) of the recommended decision(s)

6. Financial (including procurement and Social Value)

6.1 The cost of creating the role of Head of Strategic Housing has already been accounted for through an internal staffing restructure within the Regeneration Directorate, so there would be no additional budgetary requirement through the creation of this role. For information only, the post is expected to cost £75,600 per annum, inclusive of on-costs.

6.2 Implementing the three proposed routes to securing an appropriate housing supply would generate savings over a five-year period, based upon the delivery of 60 units of accommodation. Although future homelessness demand is determined by a number of external factors beyond the control of the Council, such as mortgage rates, it is difficult to forecast future demand for temporary accommodation. It is however apparent from trend analysis that demand will continue at a level where the proposed investment would be required.

Cost Savings over a 5 year period						
Housing Solution	Year 1	Year 2	Year 3	Year 4	Year 5	Total years
	25/26 £m	26/27 £m	27/28 £m	28/29 £m	29/30 £m	1-5 £m
Cost saving replacement of singles temporary accommodation pa	£0.070	£0.128	£0.131	£0.133	£0.136	£0.598
Cost saving replacement of Family temporary accommodation - saving p/a	£0.087	£0.198	£0.202	£0.206	£0.210	£0.903
Cost saving semi independent young carers leavers accommodation saving p/a	£ 0.201	£ 0.044	£ 0.137	£ 0.155	£ 0.056	£ 0.593
Total Cost Savings over 5 years	£ 0.358	£ 0.370	£ 0.470	£ 0.494	£ 0.402	£ 2.094

6.3 The use of the £2.141m Levelling Up Programme capital that will fund the property proposals for families has been approved by Executive and MHCLG.

6.4 The proposals for young people leaving care and singles with complex needs will be funded by an allocation of £4m from the Towns Fund. A Project Adjustment Request (PAR) has been approved by MHCLG and both grants are now approved and sit within the Council's approved capital programme.

6.5 The budgets that these proposals will have a positive impact on are currently significantly overspending, as the following table shows.

Directorate	Cost Centre Description	2022/23 Actuals			2023/24 Actuals			2024/25 Projections		
		Budget £m	Outturn £m	Variance £m	Budget £m	Outturn £m	Variance £m	Budget £m	Outturn £m	Variance £m
Children's Care	External Residential Services	9.008	15.188	6.180	12.398	16.726	4.328	13.300	14.839	1.539
Children's Care	Daniel Court	0.434	0.507	0.073	0.587	0.651	0.064	0.601	0.678	0.077
Children's Care	External Residential Placements - Supported Accom.	0.000	0.000	0.000	0.000	0.000	0.000	1.500	2.815	1.315
Children's Care	Fostering In-House Allowances	1.654	1.942	0.288	2.702	2.219	-0.483	1.972	2.292	0.320
Children's Care	Fostering In-House Allowances (Connected Carers)	0.624	0.797	0.173	0.995	1.023	0.028	1.612	1.247	-0.365
Children's Care	External Fostering Agency Fees	5.395	6.292	0.897	6.673	7.546	0.873	7.546	7.037	-0.509
	Total Children's Care	17.115	24.726	7.611	23.355	28.165	4.810	26.531	28.908	2.377
Directorate	Cost Centre Description	2022/23 Actuals			2023/24 Actuals			2024/25 Projections		
		Budget £m	Outturn £m	Variance £m	Budget £m	Outturn £m	Variance £m	Budget £m	Outturn £m	Variance £m
Adult Social Care	Temporary Accommodation For Homeless	0.026	0.038	0.012	0.030	0.475	0.445	0.228	0.613	0.385
Finance	Benefits Subsidy (Account Code 6148000 Only)	0.000	0.582	0.582	0.351	0.442	0.091	0.460	0.518	0.058
	Total Adults Social Care / Finance	0.026	0.620	0.594	0.381	0.917	0.536	0.688	1.131	0.443

6.6 The table below gives a summary of the assumed costs and savings.

Housing Solution	Funding Source	Number Of Houses	Total Cost Of Acquisitions and Refurbishment £m	Assumed Savings Over 5 Years £m
Homes for single homeless with complex needs	Towns Fund grant	25	2.000	0.596
Homes for care leavers	Towns Fund grant	20	2.000	0.592
Homes for homeless families	Levelling Up Partnership	15	2.141	0.903
	Total	60	6.141	2.091

6.7 The Government has recently announced an increase in funding to local authorities to reflect the rising cost of homelessness. Allocations have not yet been provided at individual local authority level, and as a consequence have not yet been factored into the Medium Term Financial Plan.

6.8 The savings identified through the above transformation activity will also be reflected in the 2025/26 budget setting for Children's Services, Adult Social Care and other related services where housing costs are allocated. This will be aligned with the impacts of the Government announcements on funding, once they are known.

6.9 Increasing the housing supply will also complement the proposals of the Empty Properties Strategy – Domestic, which will be presented to Executive on 4 December 2024.

7. Legal

7.1 All property acquisitions will be undertaken in accordance with the requirements of the corporate Asset Acquisition Policy.

7.2 In order to deliver the increased housing supply, the Council will need to work to secure legal compliant routes, including legal arrangements with third parties such as RSL's, to protect the Council's financial investment and to ensure compliance with landlord responsibilities generally.

8. Risk

8.1 The implementation of the recommendations of this report are estimated to generate savings of £2.091m over a five-year period. The Business Case appended to this report sets out a number of risks to delivery of the savings, but a significant amount of proactive work will be undertaken with external partners who can help deliver the supply of properties, such as engaging with RSLs, private rented partners and other key agencies.

9. Human Rights, Public Sector Equality Duty and Community Cohesion

9.1 The Impact Assessment, attached as Appendix 2 has concluded that the decisions would not have any disproportionately negative impacts on protected groups.

10. Climate Change / Environmental

10.1 As part of the Council's drive to achieve net carbon and in line with One Planet Living, building contractors will be encouraged to implement energy efficiency measures in line with Building Regulations, and to reuse and source local materials and labour to reduce transportation impacts.

11. Children and Young People Cared for by the Authority and Care Leavers

11.1 The Impact Assessment demonstrated that this development presents no impact on children and young people cared for by the Authority and care leavers.

12. Data Protection

12.1 The proposed decision does not involve the collation and use of personal data.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Commence purchase of properties	Director of Regeneration	February 2025
Refurb works completed – Tranche 1	RSL and housing panels/ACT	August 2025

Appendices

1	Business Case - Deliver a better co-ordinated housing supply model.
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2	Impact Assessment

Background papers

Body	Report title	Date