

MUNICIPAL YEAR 2015/2016 REPORT NO. **153**

MEETING TITLE AND DATE:

Cabinet 20th January 2016

REPORT OF:

Director of Health,
Housing and Adult Social
Care and Director of
Finance, Resources and
Customer Services

Agenda – Part: 1

Item: 9

Subject: Flexible Housing

Wards: All

Key Decision No: KD 4238

**Cabinet Member consulted: Cllr Oykenner,
Cllr Stafford**

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1. EXECUTIVE SUMMARY

- 1.1 There are increasing pressures on housing supply in Enfield; in particular, pressure on temporary accommodation has increased significantly after a period of declining numbers and relative stability. At the end of September 2015 Enfield was ranked 5th highest nationally for the number of families in temporary accommodation, equating to 2930 families, most of which are housed in the Private Rented Sector.
- 1.2 The demand for temporary accommodation is forecast to continue to increase which poses significant budget pressures for the Council and will increase the number of expensive emergency units required, unless urgent action is taken to provide a more cost effective alternative.
- 1.3 The increasing prevalence of new, modern types of construction offers an exciting opportunity for the Council to secure quick build, flexible, energy efficient and environmentally friendly accommodation built off site at a faster rate than standard methods of construction would allow.
- 1.4 It is proposed that the Council progresses plans for “flexible, quick build housing” to secure short term, cost effective accommodation to help meet the rising demand for accommodation. Flexible housing can take a number of forms including temporary, relocatable modular accommodation. This will also enable the Council to make use of under-utilised sites.
- 1.5 Two options are being considered: the Council could lease units to use as temporary accommodation or Housing Gateway could lease or purchase units that the Council could then use to discharge its statutory homeless duties or enter into a lease arrangement with Housing Gateway to use the units as temporary accommodation. The approach will be determined by the financial viability and an assessment of the risk profile of each option; however, initial financial modelling indicates that purchase of the units by Housing Gateway would be most financially viable. The Council would be required to provide a suitable site for the units on a temporary basis.

- 1.6 The development of flexible housing will complement existing initiatives to respond to housing pressures, including the purchase and renovation of properties by Housing Gateway, development of new build units by Enfield Innovations and borough wide negotiations on the cost of Nightly Paid Accommodation (NPA).
- 1.7 The Council has worked with Social Finance to undertake some initial financial analysis to guide discussions. This has been based on a number of assumptions and is not attributable to any particular site at this stage. A robust financial model will be required for individual sites to take account of specific site set up costs, unit costs, scheme lengths and the specification, which are all variables which will impact on the financial model and may differ between schemes.
- 1.8 The initial financial analysis indicates that a flexible housing scheme has the potential to be financially viable for the Council and additionally reduce temporary accommodation budget pressures. Financial viability is likely to improve as the scheme length increases but the extent of which will vary based on individual sites. Plans are in the early stages, however, approval of the concept and the key principles for the units and the site is sought to inform more detailed work and enable the Council to progress a competitive procurement process, to confirm unit costs and then develop robust financial models for specific sites as they are identified.

2. RECOMMENDATIONS

Cabinet is invited to:

- 2.1 Agree the principle of providing flexible accommodation in response to increasing budget pressures and housing demand, subject to individual schemes being financially viable and providing a cost effective alternative to Nightly Paid Accommodation.
- 2.2 Agree the principles for the units and site requirements to inform the procurement specification and site search, as outlined in section 3.21.
- 2.3 Note that subsequent award of a contract for the provision of units and the allocation of funding will be subject to Cabinet approval.
- 2.4 Note that initial financial analysis indicates that a flexible housing scheme has the potential to be financially viable; however, viability is influenced by a number of variables so a robust financial model will be produced for each scheme based on accurate costs.
- 2.5 Delegate authority to the Director of Finance, Resources and Customer Services and the Cabinet Member for Finance and Efficiency [and where the sites relate to HRA land in addition Cabinet Member for Housing and Housing

Regeneration and Director of Regeneration and Environment], to approve the site selections for flexible housing, subject to obtaining necessary planning consents.

- 2.6 Approve a variation in the remit of Housing Gateway to permit the purchase of flexible accommodation and delegate to the shareholder representative, the Assistant Director of Legal and Governance, to notify the company of this decision.

3. BACKGROUND

Housing Context

- 3.1 There are increasing pressures on housing supply in Enfield; in particular, pressure on temporary accommodation has increased significantly after a period of declining numbers and relative stability. At the end of September 2015 Enfield was ranked 5th highest nationally for the number of families in temporary accommodation, equating to 2930 families, most of which are housed in the Private Rented Sector.

Measure	Total Q2 (30/09/15)
Number of families in temporary accommodation	2930
Number of people in temporary accommodation	10,137
Number of families in Nightly Paid Accommodation	1414

- 3.2 As shown by the breakdown of existing placements, demand is highest for 2 and 3 bedroom units, equating to 66% of the total.

Number of bedrooms	No	%
0	187	6.3%
1	470	16%
2	969	33%
3	972	33%
4	218	7.4%
5	14	0.4%
6	1	0.5%

Self-contained/shared facilities	99	3.4%
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3.3 Nightly Paid Accommodation (NPA) continues to be the most expensive form of temporary accommodation, with costs increasing with bedroom size.

3.4 Furthermore, the demand for temporary accommodation is forecast to continue to increase, which will result in an increase in the number of emergency units required unless action is taken to provide a more cost effective alternative. Whilst the number of homeless applications received in 15/16 is expected to be similar to 14/15, the number of homeless acceptances is expected to be much greater (639 in 14/15 and 1324 expected in 15/16).

Measure	14/15	15/16 Forecast
Total no. Homeless Applications received	1501	1427 <i>Actual April – September 2015: 714</i>
Total no. homeless acceptances	639	1324 <i>Actual April – September 2015: 536</i>
Total no. leased properties (PSL leased, hostels or privately leased annexes)	April 2014 – 1461 March 2015 – 1375 Average: 1432	1556 <i>September 2015: 1324</i>
Total no. emergency accommodation	April 2014 – 569 March 2015 – 1228 Average: 916	1639 <i>September 2015: 1512</i>

3.5 In response to the increasing pressures on local housing supply, Enfield Council has launched a number of initiatives seeking to secure more value for money accommodation for local residents. This has included the creation of a local authority housing company – Housing Gateway – which is acquiring existing properties, renovating them to an appropriate standard and then enabling the Council to discharge its statutory homeless duties into this private rented sector accommodation. In addition, borough wide negotiations are taking place regarding the cost of placements in an attempt to reduce the cost of Nightly Paid Accommodation.

3.6 However, as the number of families requiring temporary accommodation is increasing at a faster rate than anticipated resulting in an estimated budget pressure of £5.3m in 16/17 rising to £13.2m in

17/18, additional urgent action is required to respond to these pressures.

Flexible Housing

- 3.7 The increasing prevalence of new, modern types of construction offers an exciting opportunity for the Council to secure quick build, flexible, energy efficient and environmentally friendly accommodation built off site at a faster rate than standard methods of construction would allow. 'Flexible housing' can be used to help Enfield meet the rising demand for accommodation and provide greater value for money from temporary accommodation. Flexible housing can take a number of forms from temporary, relocatable volumetric accommodation to mobile homes.
- 3.8 Essentially flexible accommodation refers to temporary structures that can be transported between sites if required and can make use of under-utilised space and limited resources. As they are built off site in a factory environment they can be delivered more rapidly and generally require less capital investment than new build units, making them a cost effective short term solution.
- 3.9 Flexible housing is a relatively new concept in the UK, though has been used to provide student and event accommodation for many years in other parts of the world. There are a range of products available, with a variety of designs, some including cladding and green roofs to ensure the units are more aesthetically pleasing, whereas others are prefabricated steel modules. The units can be designed so that they complement the characteristics of the local area and comply with planning requirements.
- 3.10 Existing providers offer the option of leasing or purchasing the units and take responsibility for delivery and set up on site. However, the Council would be required to provide the land.

Benefits

- 3.11 Flexible housing offers a number of benefits, particularly in the context of Enfield's increasing demand for housing.
- 3.12 **Flexibility** – the units can be moved around the borough as housing needs or site requirements change. Additional elements can also be added or removed if the bedroom size requirements change.
- 3.13 **Pace** – as the units are temporary structures developed off site, they can be constructed and delivered more rapidly than traditional methods of construction.

- 3.14 **Off-site construction** – as the units are developed off-site in factory environments, the construction is less likely to be affected by adverse weather conditions therefore mitigating against delays.
- 3.15 **Site utilisation** – the units can be designed to meet the site and stacked to optimise the use of the site. As the units are flexible they can also enable the Council to utilise a site for a temporary period, for example, if there are regeneration plans for a site in the medium term.

Constraints

- 3.16 Whilst flexible housing offers a number of benefits, as outlined above, there are some constraints that will need to be considered as part of the individual site appraisal.
- 3.17 **Room size** – the room sizes are typically smaller in temporary structures, so a minimum size requirement will need to be agreed and then consideration given to effective space utilisation.
- 3.18 **Transportation** – the units will be built off site and delivered to site, so the site will require appropriate access routes for large delivery vehicles.
- 3.19 **Site conditions** – utilities will be required on each site, so if these are not available time and funding will need to be allowed for installation.
- 3.20 **Local amenities** – as a number of units will be co-located on a single site resulting in the development of a temporary community, the sites will need to be close to local amenities and good transport links.

Principles

- 3.21 To guide the exploration of potential sites and the procurement specification a set of guiding principles for flexible housing are proposed:

Units:

- Unit size must meet minimum planning standards for temporary structures
- Each unit must have at least one bathroom
- Accommodation must meet minimum safety standards for housing
- Requires efficient heating and effective insulation
- All units must be in a reasonable state of repair with reasonably modern facilities and services
- All units must be durable, re-locatable and adaptable if housing needs change
- Initially, priority to be given to 2 and 3 bedroom units to reflect the greatest demand and cost.

Site:

- Sites in Enfield or within the surrounding area at a commutable distance
- Preferable for the site to be flat covered in concrete to reduce set up costs, however, sites with a slight slope, undulating concrete, hardcore or soil will be considered where there is a reasonable footing
- Each site must be accessed safely
- Water, drainage and electricity is required on the site or the site offers the potential to add this
- Access to the site is possible by large vehicles/cranes to deliver the units
- Accessible public transport and local amenities
- Able to accommodate the number of units required to deliver financial viability. This will be determined by the cost of site set up work and the units
- Available for a minimum of 2 years.
- To provide a business case where the site has other potential for development'.

Factors for Consideration

- 3.22 A number of sites have been considered to date; however, further work is required to explore the sites deemed to be potentially viable and to expand the search to ensure there are sufficient suitable sites available for flexible housing.
- 3.23 Despite the units being temporary structures and flexible in nature, planning permission will be required as the units will be stationary and therefore need to complement the surroundings and comply with planning policy. Detailed planning advice will need to be sought for all potential sites and a planning application will be required for each, so the approval process will need to be factored into plans (approximately 4-5 months per site).
- 3.24 The Council will be required to undertake an OJEU tender (Official Journal of the European Union) to appoint a provider to supply the units, either via sale or lease option. This process will take approximately 3 months.
- 3.25 Two options are being considered: the Council could lease units to use as temporary accommodation or Housing Gateway could lease or purchase units that the Council could then use to discharge its statutory homeless duties or enter into a lease arrangement with Housing Gateway to use the units as temporary accommodation. Legal advice has been obtained which confirms that both are viable options, providing that the accommodation is suitable. The Council is able to discharge statutory housing duties into a temporary unit if affordability, location and accommodation standards are appropriate. If the tenancy

was with Housing Gateway both a lease or purchase option would apply. It is proposed that the model of lease/purchase will be determined by the financial model based on the most financially advantageous option for the Council and the consideration of the priorities for the Council (e.g. reduction in temporary accommodation numbers v more affordable provision, type of units selected).

- 3.26 The Council has worked with Social Finance to undertake some initial financial analysis based on a number of assumptions, to assess whether flexible housing has the potential to be financially viable and to determine whether schemes of this nature should be explored further.
- 3.27 The initial financial analysis, based on assumptions from comparative schemes and estimated costs shared from potential providers, indicates that flexible housing does have the potential to be financially viable so is worthy of further exploration. However, a robust financial model will be required for individual sites as viability is influenced by a number of variables including: site set up costs; unit size; number of units; length of scheme; unit cost and; unit specification.
- 3.28 The initial financial analysis has also demonstrated that viability is influenced by whether the units are leased or purchased based on the particular scheme variables. Consideration will therefore need to be given to the most appropriate model following a competitive procurement process and the development of a site specific financial model.
- 3.29 In addition to the potential for the scheme to be self-financing or in some cases generating a surplus, the Council will reduce temporary accommodation budget pressures, by moving families out of expensive Nightly Paid Accommodation.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council could decide not to take any further management action. This is not considered a viable option as it would not address the significant budget pressures facing temporary accommodation and the demand for housing.
- 4.2 A number of other initiatives have been developed to respond to the increasing demand for housing and the budget pressures this results in. This has included the creation of a local authority company – Housing Gateway – to purchase and renovate existing properties that the Council can then use to discharge its statutory duties. In addition, information and advice is available to those affected by the Government's welfare reforms and borough wide negotiations have been undertaken regarding the cost of Nightly Paid Accommodation.
- 4.3 The Council could consider charging market rent, rather than rent equivalent to Local Housing Allowance to enhance financial viability.

However, this is not a viable option as market rent would not be affordable to the target group and would therefore be unsustainable.

- 4.4 The Council could invest in further development schemes either directly via its local authority companies (Housing Gateway or Enfield Innovations), however, a number of new build developments are already underway and due to the demand for housing urgent action is required to supplement schemes already underway or planned.

5. REASONS FOR RECOMMENDATIONS

- 5.1 There is a shortage of cost effective, value for money temporary accommodation in the borough, so rents are increasing, placing significant budgetary pressure on the Council.
- 5.2 Despite a number of interventions by the Council, the number of households requiring temporary accommodation or at risk of homelessness in Enfield is expected to increase over the coming years. At the end of September 2015 Enfield had 2930 families in temporary accommodation which is the 5th highest nationally. The Council therefore needs to identify additional cost effective housing stock to meet local needs.
- 5.3 The proposed principles provide the parameters for the site search and procurement specification to enable the concept of flexible housing to be progressed.
- 5.4 Independent legal and financial advice is being sought in the production of the business case, to ensure compliance and the production of a robust financial model that can form the basis of site appraisals.
- 5.5 Whilst the Council has an urgent and pressing need for additional cost effective accommodation at present, housing needs may change in the future. The development of a flexible housing scheme will therefore enable the Council to respond to any changes in demand more easily than if permanent structures were used.
- 5.6 A phased approach to the development of flexible housing schemes will be undertaken to manage risk and help to prevent unintended consequences on the local housing market.
- 5.7 An individual business case will be produced for each site, to consider financial viability, planning implications and the impact on local amenities. However, based on assumptions informed by comparative schemes and indicative costs from providers, the initial financial analysis indicates that a flexible housing scheme has the potential to be financially viable and reduce temporary accommodation budget pressures, so is worthy of further exploration.

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

- 6.1.1 An analysis of whether flexible housing has the potential to be financially viable has begun but is based on many assumptions. In addition a Financial Model will be required to analyse factors such as the cost of investment, financing costs, land availability and the duration of the land usage.
- 6.1.2 It is recognised that procuring a scheme can generate potential savings and lead to cost avoidance, however each scheme must be reviewed on an individual basis and judged on its own merits.

6.2 Legal Implications

- 6.2.1 Legal advice has been obtained to inform the development of an outline model for flexible housing. Further legal advice will be obtained if the development of flexible housing progresses.
- 6.2.2 The Council is considering two options: the Council directly leasing/purchasing the units and using these as temporary accommodation or Housing Gateway leasing/purchasing the units enabling the Council to discharge its statutory homeless duties into the units. The chosen model will be informed by legal advice and consideration of the financial viability of each option and which is most advantageous to the Council.
- 6.2.3 In principle the Council can discharge its statutory housing duties into a temporary unit, subject to the unit being compliant with the required conditions for housing. As per Section 206 Housing Act 1996 and paragraph 17.2 Homelessness Code, the accommodation secured by the Council must be suitable for the applicant and all members of their household who reside with them or might reasonably be expected to reside with them. This will include consideration of affordability, the standard of the accommodation and location and a non-statutory consideration of personal circumstances. The conditions required for a suitable housing offer to enable the Council to fulfil its duties do not exclude flexible housing but the design and size of the units will need to be considered to ensure that they are suitable.

- 6.2.4 The most relevant legal implication to consider when assessing whether units should be leased or purchased is Right to Buy. Right to Buy will not apply to the flexible units if the units are leased by the Council or if they are purchased/leased by Housing Gateway. However, the Council should not base any decision that the units should be purchased/leased by Housing Gateway on the grounds that Right to Buy will not apply. Any decision should be on the basis of a business justification for using Housing Gateway.
- 6.2.5 If the Council decides to use Housing Gateway to lease/purchase the units, a formal decision at Cabinet to change the company's remit would be recommended.

6.3 Property Implications

- 6.3.1 The principle of using vacant and underused sites for flexible homes for a temporary period to relieve the revenue pressures of the Council is in line with best practice and good asset management where a meanwhile use can be put in place on a site whilst in the interim a final solution for the site is worked up. This is, however, dependent on gaining planning permission.
- 6.3.2 Title conditions should be investigated for each site. This should reveal any title discrepancies, charges, covenants and rights of way. However, it may be prudent for the Council to invest in title indemnity cover to guard itself against any unforeseen onerous title conditions that may have been overlooked.
- 6.3.3 Various surveys and site due diligence will be required on each site to assess ground conditions and services running through that may require diversions and alternative routing for the development.
- 6.3.4 It is essential that throughout the procurement process of these surveys that the Invitation to Tender (ITT) documents has clauses inserted within them that allow the novation of contracts and works to third parties and the Council obtains collateral warranties from all suppliers.
- 6.3.5 Assessments of ground conditions will be undertaken on a site by site basis and costed in accordance to the specifications required from the flexible housing development partner.
- 6.3.6 The remit of the Council is to provide a flat workable site with services running to the perimeter. In some instances because of the temporary nature of the units, it may be prudent to design in solutions such as a cesspit for example, for foul water and drainage if the cost of connecting to a main sewer system proves unviable both financially or logistically.

- 6.3.7 Bilfinger GVA property consultancy can be brought in at agreed Co Sourced competitive rates to assist in the planning process so that all documents and the planning interface with the Local Planning Authority can be streamlined to provide an effective single point of contact.
- 6.3.8 Several of the shortlisted sites are difficult in terms of planning restrictions/hurdles to overcome before a temporary planning application can be submitted for flexible homes, which includes changes of use applications.
- 6.3.9 It may be necessary to undertake acquisitions of land where sites come to the market. In these instances the acquisition will follow the Property procedure Rules.
- 6.3.10 All the units procured from the flexible homes supplier should meet the London Housing Design guide, which sets out design standards and room sizes.
- 6.3.11 Flexible housing presents a different maintenance and monitoring regime and this will need to be undertaken in accordance with BRE Digest 374 1992.

7. KEY RISKS

A comprehensive risk register has been developed and is reviewed on a monthly basis by the Project Board. However, the key risks associated with the development of flexible housing are outlined below.

- 7.1 Housing needs change and demand for temporary housing reduces.** This is mitigated by the pursuit of temporary structures that can be relocated or removed as required. A review has also been undertaken on past trends to inform discussions.
- 7.2 Purchase/leasing of temporary units is not cost effective for the Council.** This will be addressed by developing a robust financial model that captures all expected income and expenditure to inform the decision on a site by site basis.
- 7.3 Planning permission is not granted which prevents the delivery of flexible accommodation.** This will be mitigated by early engagement with planners regarding potential sites and an extensive site options appraisal.
- 7.4 The Council and communities become reliant on the temporary units and cannot respond to the demand for housing in the future when the units are removed.** This will be addressed by continuing to address the demand for housing in a number of ways (e.g. purchase of existing units, borough wide price negotiations etc) and considering

what is an appropriate number of units on each site, taking into consideration existing local infrastructure.

7.5 There prevalence of anti-social behaviour on the flexible housing sites. This will be mitigated by the design of each site and the density pursued.

7.6 The provision of flexible housing has an adverse impact on the local housing market. This will be addressed by engaging with Property Services to monitor the impact on the local market and also paying careful consideration to the number of flexible units pursued.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

This project will enable the Council to increase the supply of value for money accommodation to respond to the increased demand for housing. By providing temporary units that comply with necessary planning and design standards, the Council will be able to prevent homelessness and increase access to accommodation for some of the most vulnerable residents in the borough.

8.2 Growth and Sustainability

Access to housing is a key aspect of a person's health and wellbeing. By providing residents with a fixed address and well maintained accommodation for a temporary period, it will improve health and wellbeing and prospects of securing employment.

8.3 Strong Communities

By increasing the supply of homes that the Council can access within the borough and the surrounding area, this will increase opportunities for local residents to access employment and training and thus reduce the likelihood of them requiring additional services from the Council.

9. EQUALITIES IMPACT IMPLICATIONS

An overarching Equalities Impact Assessment will be produced when the outcome of the tender is known, to inform decisions regarding financial investment. Allocations to individual units will be made in line with Council policies, which have also been equality impact assessed.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

Through this project the Council has the opportunity to reduce the number of households in temporary accommodation and provide suitable accommodation for some of the most vulnerable residents. This in turn, provides the opportunity for the Council to make a positive impact for wider objectives, such as reducing employment and improving health and wellbeing.

11. HEALTH AND SAFETY IMPLICATIONS

All units will comply with housing safety standards, in line with the proposed principles.

13. PUBLIC HEALTH IMPLICATIONS

The costs of poor housing are complex and difficult to quantify precisely; the life-expectancy of those who are homeless is approximately 30 years less than the wider population but for those in poorer or temporary accommodation the impact will depend on the quality of accommodation and the security of temporary accommodation. Poor quality accommodation is associated with a number of conditions for both adults and children including respiratory conditions and depression. Education in children has also been shown to be adversely affected.

The provision of further accommodation where there is a shortage of housing will be useful though the effect will be difficult to quantify and will depend on the quality of accommodation provided and the security of tenure. However, assuming that the accommodation meets modern housing standards it can be assumed that for those provided the accommodation will have a positive effect on their health.

Further Background Information

The following are links to potential providers, to provide an indication of the variations of flexible housing available on the market. However, it should be noted that this is not an extensive list of providers and a competitive process will be undertaken if approval to proceed is received.

<http://www.ymcalsw.org/ycube/>

<http://www.digs2go.co.uk/>

<http://www.qedproperty.com/>

<http://admodular.com/>

Background Papers

None.