

This Report will be made public on 7 October 2025

Report Number: **C/25/42**

**To:** Cabinet  
**Date:** 15 October 2025  
**Status:** Key - Decision  
**Responsible Officer:** Andy Blaszkowicz, Director of Housing and Operations  
**Cabinet Member:** Councillor Rebecca Shoob, Cabinet Member for Housing and Homelessness

**SUBJECT:** HOMELESSNESS UPDATE - DELIVERING MORE COUNCIL OWNED TEMPORARY ACCOMMODATION

**SUMMARY:** The Council's Housing Options Team is required to provide temporary accommodation (TA) for homeless households, accepted for long-term re-housing by the Council. The number of households in TA has increased significantly over the last 12 months (from 55 to approximately 115) reflecting the national picture of increased pressures. The report updates members on current homelessness trends and plans to reduce the need for private sector TA, including proposals for the delivery of at least a further 20 Council owned TA units through capital borrowing of £5m within the current financial year within the Housing Revenue Account (HRA).

## REASONS FOR RECOMMENDATIONS

- a) The Council must make the best use of the resources it has available to respond to homelessness in the district.
- b) Homeless approaches requiring intervention by the Council have increased over the last 12 months, resulting in increased numbers of households in TA.
- c) The proposals set out in this report will provide savings on TA costs (which will be monitored). The TA negative subsidy impact is projected to increase to approximately £1.2m in the current financial year, from £600k in 24/25.
- d) Where the Council uses its own Housing stock as TA, it can reclaim 100% of Housing Benefit Subsidy from the Government.
- e) The provision of further Council owned TA will assist the Council to reduce the impact on the General Fund of the TA negative subsidy.

## RECOMMENDATIONS:

1. To receive and note report C/25/42.
2. To agree a capital growth item of £5M in the current financial year, to enable the acquisition/delivery of at least 20 further HRA owned

temporary accommodation units. The growth to be funded through prudential borrowing within the HRA.

3. To note that a further 20 existing HRA units will be used for temporary accommodation when they become available within the next 12 months.
4. To support the recommendation to Full Council seeking to approve the addition of the £5m borrowing to the HRA capital plan.
5. To provide delegated authority to the Director of Housing & Operations in consultation with the Corporate Leadership Team to utilise the funding to source appropriate accommodation for the HRA to be used as temporary accommodation.
6. To note that Officers will apply for Homes England funding should any of the new acquisitions be eligible, and provide delegated authority to the Director of Housing & Operations to accept any grant should the application be successful and reporting through normal channels as appropriate.

## **1. Background**

- 1.1 The Council's Housing Options Team provides TA for households accepted by the Council as being homeless. At present the Council has approximately 115 households in TA.

The number of households in TA has risen significantly over the last year as per the national picture of increased pressures. The main reasons for homeless households approaching the Council are:

- Households evicted from private sector accommodation due to a section 21 (no fault) eviction process
- Households fleeing domestic abuse
- Other forms of eviction from private sector accommodation
- Households asked to leave accommodation by other family members
- Those leaving care, leaving the armed forces etc.
- Cost of living issues experienced over the last year.

- 1.2 Securing alternative long-term private sector accommodation is becoming increasingly difficult at a time when we are also seeing more homeless presentations. The current cost of living crisis, combined with the impact of the Domestic Abuse Act, has placed additional pressure on the Council's TA resources. Short-term placements out of district are also necessary in some cases where there are no suitable available premises.

- 1.3 The majority of the TA provided is in the form of self-contained private rented accommodation, which is rented on a nightly let basis. Approximately 93 households are currently accommodated in private nightly let accommodation. The Council also has 8 units of self-contained accommodation which are held in the General Fund. Bed and Breakfast accommodation is only used in emergency situations and applicants are moved on as quickly as possible. 15 HRA properties are also currently being used as temporary accommodation.

- 1.4 Where the Council uses private sector nightly let and bed and breakfast accommodation, it is only able to reclaim Housing Benefit Subsidy which is currently capped at 90% of the 2011 Local Housing Allowance Rate. For example, if the Council is using a 2-bedroom nightly let self-contained property in Folkestone let on a nightly rate of £55, or £385 per week, the maximum housing benefit that can be claimed is £114 per week. There is no indication from the Government that it will change this policy position. In 2024/25, the TA negative subsidy impact for the Council was approximately £600K. Due to the current level of homeless households in TA, the Council Tax Benefits and Welfare Manager, has advised that the negative subsidy impact for the Council in 2025/26 is projected to be approximately £1.2M with recurring pressures remaining likely each forecast year of the MTFS.

- 1.5 Where the Council uses its own self-contained accommodation as TA it is able to claim 100% of the rental charge from the Local Housing Allowance and there is no negative subsidy impact on the Council's General Fund. The use of HRA stock as TA will lessen considerable financial pressures each year. For

example, the use of a 2-bedroom HRA flat will cost the Council a net position of approximately £3K including set up and maintenance costs in year 1. Following this it will cost approximately £1,500 p.a. for subsequent years. A comparative 2-bedroom nightly let flat will cost the Council's General Fund approximately £14K per year (based on a nightly rate of £55 per night, less eligible Housing Benefit payments received). However, the private sector cost does include maintenance and an intensive management service. It should be noted that HRA management and maintenance costs are less apparent, as this is dependent on the level of void work required and housing management interventions in managing the TA.

## **2.0 The Use of the Council's Existing HRA Stock**

- 2.1 The Council's current Housing Allocations Policy permits the use of the Council's housing stock as temporary accommodation. The Council is currently using 15 units of HRA held accommodation as TA for households accepted.
- 2.2 Going forward, it is proposed to increase the number of Council HRA held properties used as TA up to 35 (an additional 20 units) between now and 2027.
- 2.3 The Housing Options team will work closely with the Housing Asset Team to set up the accommodation so that it is fully ready for occupation. When HRA properties become void, an assessment process will take place with Housing Options and Housing Operations /Asset colleagues against the set criteria to ensure that the accommodation is suitable to be used as TA. Each property has an approximate set up cost of £3K, for decorating and furnishing costs. This is higher than usual social housing void costs as there is a different specification for TA. There is also a higher turnaround in TA than in long-term council housing. Although the costs will be met from existing TA budget resources, it should be noted that both the void costs and maintenance costs of using HRA accommodation as TA is higher than using it as general needs accommodation.
- 2.4 This proposal is expected to offer a significant saving in the General Fund of approximately £280k per year against the cost of TA provision through nightly lets in the private sector by reducing the TA subsidy gap. However, it should be noted that it will have an impact on the HRA business plan in terms of reducing the number of properties available to applicants on the Housing List. The use of accommodation as TA will also place additional pressure on the Housing Options, Neighbourhood Management and Asset Teams, along with their contractors. The full impact and costs of the proposals will, therefore, be closely monitored.
- 2.5 Although the HRA has a £5M p.a. acquisitions / new build budget in its business plan, new properties acquired should be considered against the loss of properties to the HRA; from the recent high numbers of Right to Buy's, the disposals policy of non-viable assets, and use of HRA homes as TA. Whilst in principle the Council could consider using even more of the HRA stock as TA, it is vital that an overall balance is achieved. If too many or the wrong type of homes are used as TA, this will limit our ability to offer suitable long-term homes in council accommodation to both homeless households and wider

households through the Housing List. There is already a shortage of large family sized homes. This could increase the size of the waiting list and the overall time that homeless households spend in temporary accommodation.

### **3.0 Other Priority Actions within the Housing Options Service**

- 3.1 The Housing Options service will continue working to increase the supply of Private Sector Homes available to the Council to enable the team to prevent homelessness and move households on from TA as quickly as possible.
- 3.2 During 2024/25, the number of new affordable homes delivered in the district was particularly low, with only 23 new affordable homes provided, compared to 75 on average in previous recent years. Most of our regular Registered Provider partners have been reluctant to take on new developments over the last 18 months due to the financial and capacity issues they face. The Council's direct intervention to take on S106 opportunities and work to bring other Registered Provider partners to the district will significantly increase new affordable housing lettings in 2025/26 and 2026/27. This will enable more households in TA, and on the Housing List, to be moved on to permanent affordable homes.
- 3.3 It is proposed that the Council should also seek to deliver more bespoke TA owned by the HRA. This could involve the acquisition and conversion of existing properties, or the development of purpose-built accommodation on sites in the district, potentially using modern methods of construction to speed up delivery. The acquisitions would be funded through a capital growth item of £5M in the current financial year, to enable the delivery of at least 20 further HRA-owned temporary accommodation units. The growth will be funded through prudential borrowing within the HRA.
- 3.4 When using Council/HRA owned stock as TA, the Council can claim 100% of the rental charge from the local housing allowance.
- 3.5 The tables below compare the financial impacts of using temporary accommodation within the private sector (nightly lets) and Council/HRA owned accommodation (based on 2-bedroom accommodation).

#### **a. TA within the Private Sector (nightly let- 2-bedroom accommodation)**

<b>Accommodation charge per week</b>	<b>Management cost for the Council</b>	<b>Maintenance and set up costs</b>	<b>Eligible Housing Benefit Payment</b>	<b>Total weekly cost to the Council</b>
£55.00 (£385 per week)	Nil	Nil	£16.28 per night (£114 per week)	£271.00 due to negative subsidy impact

#### **b. TA Council owned (2-bedroom accommodation)**

Accommodation charge per week	Management costs	Maintenance and set up costs	Eligible Housing Benefit Payment	Total weekly cost to the Council
Currently charge £50 per night.  (£350 per week)	£41 per week per unit	£3,000 p.a.	£50.00	<b>£99 for mgt and maintenance costs</b> per unit per week. The income will also need to fund borrowing repayment costs. This can be covered by the £350 weekly

- 3.6 Delivering more Council owned TA will provide a significant financial saving to the Council's General Fund reducing the subsidy gap by approximately £280k p.a. If the capital sum is provided by the HRA, then the finance charge would be approximately £260k p.a. based on a £5m loan at 5.20% effective rate (PWL B published rates as at 01/10/25 – over 20 years EIP). The financing costs will be largely covered by the rental income received from 100% housing benefit. Further to this, the HRA will own the asset and therefore have the asset value in perpetuity. In future, should the units no longer be required for TA they will be used as general needs accommodation for families on the housing waiting list. The capital sum may also be able to be reduced as officers will apply for Homes England grant if the properties are eligible.
- 3.7 By using up to a further 20 units of existing HRA stock as detailed in section 2 of this report combined with the acquisition of a further 20 units of TA as detailed in section 3, we should reduce the TA subsidy gap and impact on the General Fund by approximately £500k-£540k per year. This could be further improved if Homes England funding is available to support the acquisitions and if more units can be sourced within the available funding.
- 3.8 Whilst the actions outlined above represent a positive move in the right direction further action may be required if levels of TA do not subside. Officers will continue to update Cabinet on any further changes in the demand for TA in the district.

#### 4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks to the Council is shown below:

Perceived risk	Seriousness	Likelihood	Preventative action
Increased costs of temporary accommodation due to using	High	High	Use a further 20 units of existing HRA stock and acquire a further 20 units as detailed in

private nightly lets			the report. This will reduce the subsidy gap and improve the position for the general fund.
Increased costs for the HRA (short or longer term)	High	Medium	The impacts will be closely monitored. The General Fund will need to compensate the HRA for any additional costs.
Additional Council TA units may be required	Medium	Medium	The Council will closely monitor demand for TA units

## 5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

**5.1 Legal (NM)** - There are no legal reasons why the Council should not use up to 35 units of its housing stock as temporary accommodation. There is specific provision in the Housing Act 1985 Schedule 1 Paragraph 4 that provides that any tenancy granted in pursuance of any function under Part VII of the Housing Act 1996 (homelessness) a secure tenancy will not arise unless the local authority has notified the tenant that the tenancy is to be regarded as a secure tenancy.

**5.2 Finance (JS)** The current level of Temporary Accommodation (TA) funding is not sustainable under the existing Government funding regime. This proposal addresses the TA requirement while reducing the financial impact on the General Fund

5.2.1 The number of homes to be purchased is expected to exceed 20. The estimate of 20 assumes a base price of £250k per home, but a higher average value is likely because acquisitions will include a mix of property types and locations.

5.2.2 If 20 homes are purchased, they would generate approximately £261k of income for the HRA. This income would offset financing costs, with any shortfall met by the General Fund through the General Fund recharge to the HRA.

5.2.3 The introduction of 20 new homes would reduce the subsidy gap detailed in Table (a) by approximately £283k (excluding management and maintenance costs).

5.2.4 In addition to the purchase of 20 homes, it is proposed that a further 20 HRA properties are used as TA when they become available. This will reduce the cost of the subsidy gap by a further £281k.

5.2.5 Together, these two strategies would substantially reduce current TA pressures on the General Fund. The overall cost of the scheme could be further reduced if successful grant applications were secured.

- 5.2.6 Finance has considered whether delivery should be via the HRA or the General Fund. The capital growth bid of £5.0m is assumed to be funded through prudential borrowing from the Public Works Loan Board (PWLB).

**General Fund:**

- 5.2.7 At the time of drafting, the PWLB certainty rate for a £5.0m loan over 20 years was 5.60%. Minimum Revenue Provision (MRP) would be chargeable. Using the draft figures, this produces an annual interest charge of £280k plus MRP of £100k, a total annual charge of approximately £380k.

**HRA:**

- 5.2.8 At the time of drafting, the HRA concessionary PWLB rate for a £5.0m loan over 20 years was 5.20% (HRA can borrow at 0.40% below General Fund rates). MRP does not apply to the HRA. Using the draft figures, this produces an annual interest charge of approximately £260k.
- 5.2.9 On this basis, delivery via the HRA would be approximately £120k per year cheaper than delivery via the General Fund, primarily because MRP is not chargeable to the HRA and it can borrow at a cheaper rate. A detailed financial model is required to confirm PWLB rate applicability, eligibility for the concessionary rate, and the final saving.
- 5.2.10 To avoid adversely affecting the HRA business plan or capital programme, the General Fund would offset the HRA's additional borrowing cost by reducing the recharge the General Fund currently made to the HRA for Council staff and resource use. Reducing that recharge by the value of the HRA interest cost would make the capital growth bid cost neutral to the HRA.

- 5.3 Equalities (AH)** – There are no equality or diversity implications arising from this report.

- 5.4 Climate Change Implications (AT)**- The Council will seek to maximise the energy efficiency of properties purchased for as temporary accommodation, subject to viability.

**6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Adrian Hammond  
Strategic Housing Manager  
[adrian.hammond@folkestone-hythe.gov.uk](mailto:adrian.hammond@folkestone-hythe.gov.uk)

Gill Butler  
Chief Officer, Housing  
[gill.butler@folkestone-hythe.gov.uk](mailto:gill.butler@folkestone-hythe.gov.uk)

The following background documents have been relied upon in the preparation of this report: None.