

London Borough of Waltham Forest

Report Title	Temporary Accommodation Acquisition Programme
Meeting / Date	Cabinet, 3 rd June 2025
Cabinet portfolio	Councillor Ahsan Khan, Deputy Leader (Housing & Regeneration) 
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Wards affected	All
Public access	Open
Appendices	Appendix 1 – Value for Money Checklist Appendix 2 – Equalities Impact Assessment Screening Appendix 3 – 10 Year Financial Model

1. Summary

- 1.1 In 2022, the council was allocated £15.4m from the Greater London Authority (GLA)'s Affordable Homes Programme (AHP) 2021-26, on an indicative basis, for the delivery of 77 social rented homes. A total of £8.6m of that allocation is remaining, due to viability challenges with two of the initial proposals.
- 1.2 The GLA advised that the council can apply to switch this allocation to the Council Homes Acquisition Programme (CHAP) and utilise it to support the acquisition of homes for temporary accommodation (TA).
- 1.3 It has been agreed with the GLA that the council will acquire a minimum of 64 homes with the funding. This is an excellent opportunity given the pressures faced around sourcing affordable TA, both in and outside of the borough.
- 1.4 This report sets out the proposals for undertaking an acquisition programme within the GLA's required timeframes.

2. Recommendations

- 2.1 Cabinet is recommended to:
 - 2.1.1 Approve that the council sign a Deed of Variation with the GLA to its AHP 2021-26 Funding Agreement, to allow for the allocation to be switched to the CHAP programme.
 - 2.1.2 Approve a budget of £28.8m to acquire a minimum of 64 homes through the Affordable Homes Programme, with £20.2m funded from borrowing

and the balance from the GLA grant. Borrowing will be held in the General Fund.

- 2.1.3 Delegate agreement of the terms and entering into of the associated legal documentation for each acquisition to the Corporate Director Regeneration Planning and Delivery.
- 2.1.4 Approve an increase in the General Fund budget for temporary accommodation of £0.335m in 2025/26 and beyond from contingency, which avoids circa £900k of emergency temporary accommodation Private Sector Leasing (PSL) spend per annum as set out at 7.1.8.
- 2.1.5 Delegate the terms of a single acquisition, within the total budget envelope, if over £1m to the Corporate Director Regeneration Planning and Delivery in consultation with the Portfolio Lead Member for Housing & Regeneration, the Strategic Director, Place and the Strategic Director, Resources.

3. Proposals

3.1 Background

- 3.1.1 The GLA made available £8.6m of AHP grant for schemes at Marlowe Road and Priory Court. At Marlowe Road, £5.2m was allocated to acquire 26 social rented homes and at Priory Court, £3.4m was allocated to deliver 17 social rented homes.
- 3.1.2 The proposal for Marlowe Road was to acquire 26 open market sale homes from Countryside, the council's development partner, and redesignate them for social rent. However, buying private homes at open market values for social rent was not financially viable as the future rents would not be sufficient to support the required borrowing costs. The proposal on Priory Court was to use the grant funding to switch shared ownership units to social rented, however, the grant rate available meant that this was also not viable financially.
- 3.1.3 Since this time, the council has maintained a dialogue with the GLA and continued to investigate alternative methods of delivering additional homes with the outstanding grant. This would avoid returning the funding to the GLA and losing the opportunity to provide additional housing to benefit residents in housing need.
- 3.1.4 As a result of these discussions, it has been confirmed that the £8.6m can be used for an acquisition programme through the GLA's CHAP, as set out in this report. The CHAP is part of the Mayor's AHP 2021-26. Bids for CHAP must align with the parameters set out in the AHP 2021-26 Funding Guidance and Capital Funding Guide (CFG).
- 3.1.5 CHAP funding enables boroughs to purchase properties and convert them into social rented housing or accommodation for homeless households, including TA.
- 3.1.6 The council is continuing to face high levels of housing need and large numbers of presentations of homeless households who go on to be assessed as eligible for TA. The requirement to provide TA and

associated costs are placing significant pressures on the council's finances. This is in common with all boroughs across the capital, where the combined cost of temporary accommodation is over £100m a month.

- 3.1.7 It is proposed that the properties acquired as part of the programme will be used to provide an increased amount of temporary accommodation in the borough. This will play a part in relieving the increasing pressures of more expensive temporary accommodation such as nightly rate and bed & breakfasts and hotels, which is costly to the council and does not fully meet the housing needs of residents.

3.2 Structure

- 3.2.1 It has been agreed with the GLA that the acquisition programme will deliver a minimum of 64 new homes for TA. 40 homes will be acquired by March 2026, with a further 24 prior to September 2026. All homes will be acquired in the borough, and all will be designated for use as TA. Larger bed size houses will be targeted, and the majority of the homes are anticipated to be two-bed or three-bed.

- 3.2.2 Homes will be refurbished to the council's void standard, with the intention of them being occupied within 12 weeks of acquisition. This will be monitored as part of the project performance indicators.

- 3.2.3 The Finance commentary at 7.1 illustrates how a cost efficiency of £266 per household per week has been applied to reflect the average net cost of existing temporary accommodation (taking rent and Housing Benefit subsidy into account). Based on this average cost and the assumptions set out below, the council will achieve cost avoidance of £6.1m over 10 years when compared to the cost of using private sector temporary accommodation.

3.3 Programme

- 3.3.1 The proposed programme is summarised as follows:

- Amendments to funding agreements will be undertaken in June 2025.
- Acquisitions will commence immediately.
- A minimum of 40 properties acquired in the financial year 2025/26.
- The remaining 24 properties will be acquired in financial year 2026/27.

4. Options & Alternatives Considered

- 4.1 Return the grant. The only alternative course of action for the council would be to return the grant to the GLA and not receive any of the potential benefit of additional temporary accommodation provision. There would also be interest payable to the GLA by the council.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

- 5.1 The delivery of affordable housing is a strategic priority identified by the council's Local Plan. Unlocking the delivery of new affordable homes in the borough as set out in this report will help the council meet key outcomes of the Housing Strategy 2024-2029, including:
- Outcome 2a: Increasing the supply of different types of homes so people can stay in Waltham Forest throughout their lives.
 - Outcome 2b: New development provides homes for residents who need them most.
- 5.2 Mission four of the borough's core set of Missions is Tackling the Housing Crisis Head On. This decision directly aligns with mission four by providing an innovative solution to increasing the supply of homes available for residents in the borough.
- 5.3 Mission ten is a Firm Financial Footing. The approach set out at 7.1 to the financial strategy for the acquisition programme ensures that the additional temporary accommodation homes can be provided in a sustainable way that maximises income generation whilst maintaining a robust financial foundation.

6. Consultation

- 6.1 There is no legal requirement to consult as a part of this decision as there are no adverse impacts on residents of the borough. Therefore no consultation has been undertaken.

7. Implications

- 7.1 Finance, Value for Money and Risk
- 7.1.1 Of the £15.4m the council was allocated as part of the GLA's Affordable Homes Programme 2021-26, a total of £8.6m of that allocation remains due to viability challenges with two of the initial proposals.
- 7.1.2 The GLA has advised that the council can apply to switch this allocation to the Council Homes Acquisition Programme (CHAP), to acquire homes into the General Fund for temporary accommodation.
- 7.1.3 £1.36m of the £8.6m has already been claimed and drawn down for the Priory Court scheme. The GLA confirmed that the council will need to return this grant, and it will be redistributed as part of the CHAP allocation. The GLA also confirmed that as the council notified them at the first opportunity that the scheme cannot proceed, they will not be charging interest on the grant reclaim. The repurposing of the £1.36m does not affect the current approved Priory Court scheme.
- 7.1.4 Following discussions with the GLA, a grant rate of £134,375 has been agreed, which equates to 30% of the estimated cost of acquiring and

refurbishing 64 units. This would utilise the remaining £8.6m of grant available.

7.1.5 The budget requirement and funding streams for the acquisitions are shown in the table below and indicate that the total requirement is £28.8m which is funded in part by the GLA grant funding and the balance of £20.2m from borrowing.

	Per unit	Total
	£000	£000
Total Budget Required	450	28,800
Estimated Acquisition Cost	400	25,600
On Costs	20	1,280
Refurb	30	1,920
Funded by	450	28,800
Total Grant	134	8,600
Total Borrowing	316	20,200

7.1.6 The assumptions used for modelling the base case viability of these acquisitions are shown in the table below:

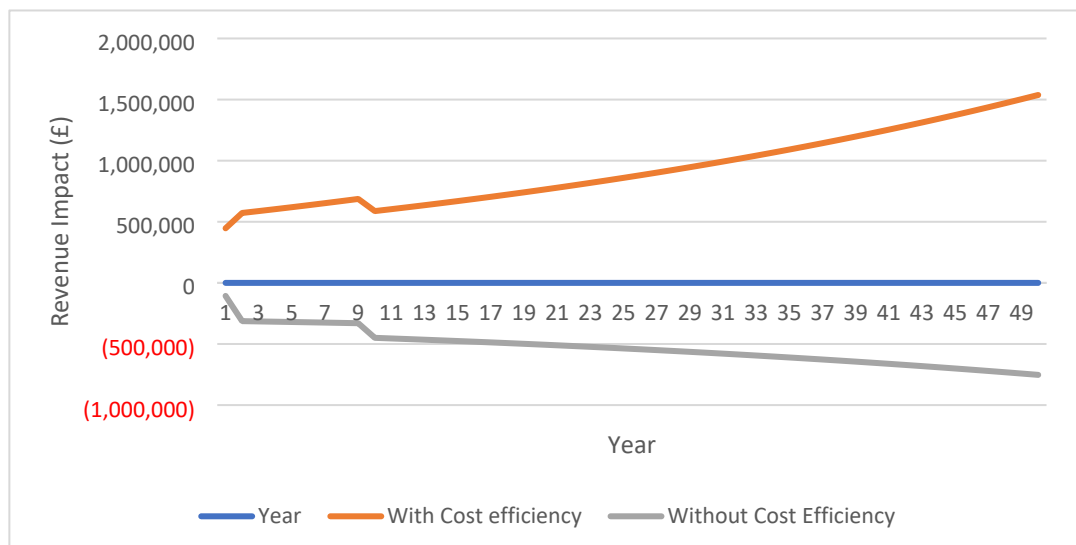
General Assumptions for Base Case	
Debt Interest Rate	5.2%
Bad Debt	10.0%
Voids	10.0%
Cost Inflation	2.0%
Rent Inflation	0.0% - Assume no increase to LHA for prudence
Annual TA Saving per household excluding hotels (£)	13,832
Management and Maintenance pppa (lower in year 1 due to refurbishment)	1,750
Planned Maintenance from Year 10 pppa	1,500

7.1.7 The table below summarises the base case modelling output for the acquisitions:

Viability Output	
Scheme/Scenario	GLA £8.6m CHAP - With cost efficiency (Base Model)
Units	64
Borrowing Rate	5.20%
Payback Period	29
NPV (£000)	-£5,419
Positive cashflow from Yr1	Yes

7.1.8 The impact of this decision will be an additional net cost to the General Fund for temporary accommodation of approximately £0.335m per annum totalling £3.127m over 10 years. However, the alternative would be the additional cost of procuring this accommodation in the Private Sector Leasing (PSL) at an additional approximate cost of £0.959m per annum totalling £9.189m over 10 years. Therefore, this decision delivers a cost efficiency of £6.061m to the General Fund over the 10-year period. Appendix 3 shows the net revenue impact of this decision over the first 10 years of the project.

7.1.9 The graph below shows a comparison between the net revenue in year impact of the decision on the General Fund with and without the cost efficiency factored in (e.g. the higher Private Sector Leasing (PSL) costs the council would incur without these purchases) over a 50-year period:



7.1.10 Whilst the net present value (NPV) of the base case is negative, a cost inflation percentage of 2% has been applied to the cost of temporary accommodation (PSL) estimate for prudence. This has been done to demonstrate that a revenue surplus is still generated from year 1 when the cost avoidance benefit is dampened. In this scenario the project pays back within 29 years.

7.1.11 The cost of PSL for the council is rising significantly. Figures published by the Office for National Statistics (ONS) on private rental costs show that private rents rose to an average of £1,721pm in March 2025, which equates to an annual increase of 10.2% from £1,562pm in March 2024.

7.1.12 Issues with affordable accommodation supply in the Private Rented Sector has led to the need to use other forms of high-cost temporary accommodation to fulfil the council's legal duty. The reduction in supply has also led to households remaining in TA for longer as there is limited availability of affordable accommodation for the service to move households on from temporary accommodation.

- 7.1.13 As of December 2024, the net cost of TA was showing a projected spend of £18.1m against a budget of £5.7m, equating to a forecast overspend of £12.4m. A projected £4.4m use of the homelessness reserve reduced this forecast overspend to £8m.
- 7.1.14 Several sensitivity analyses have been run to demonstrate that the base case is a prudent model for this acquisition.
- 7.1.15 The viability model output has a positive NPV when the cost of temporary accommodation is assumed to increase by 3.26%. While the council aims to limit the increase in cost of temporary accommodation, including through acquisitions such as this, the cost of temporary accommodation is heavily dependent on the private sector rent levels which are likely to increase.
- 7.1.16 If the cost efficiency saving is removed, then the project is not viable.
- 7.1.17 Like many local authorities the council is experiencing year-on-year increases in the number of households needing temporary accommodation. The number of households in temporary accommodation between October 2023 and October 2024 has increased by 55%. This increase in households as well as an increase in the cost of external temporary accommodation options demonstrates why the cost avoidance saving is relevant to the decision and subsequently included in the base modelling.
- 7.1.18 Additional sensitivities were modelled around the income and borrowing rate assumptions. The base case also has a positive NPV if rental inflation is set at 2% in parity with cost inflation, rather than at 0%. The income to the council for modelling purposes is assumed to be the average Local Housing Allowance (LHA) rate for 2 and 3 bed properties.
- 7.1.19 If the borrowing rate were to increase to 8.5%, then the base case would not be viable as there would not be a revenue surplus in every year from year 1.

7.2 Legal

- 7.2.1 The council is legally bound to provide temporary accommodation to homeless households meeting criteria set out in the Housing Act 1996 as amended by the Homelessness Act 2002. Statutory Instrument No. 2601 'The Homelessness (Suitability of Accommodation) (England) Order 2012' requires authorities to take into account when providing temporary accommodation 'the significance of any disruption which would be caused by the location of the accommodation to the employment, caring responsibilities or education of the person or members of the person's household'.
- 7.2.2 In this context the acquisition of more temporary accommodation in the borough through these transactions could reduce the scope for successful legal challenges in relation to temporary accommodation placements.
- 7.2.3 The council has the power to acquire property for any of its functions under s120 Local Government Act 1972 and Section 1 of the Localism Act 2011 gives the council the power to do anything that individuals may

generally do (the general power of competence) and the Council has the power under section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

7.3 Equalities and Diversity

7.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

7.3.2 An initial screening exercise of the equality impact of the proposal has been undertaken and is attached at Appendix 2, this determined there is no adverse impact on the council's equality duty. It is therefore considered that a full Equalities Impact Assessment is not required at this stage.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 The recommendations in this report concern the approval to proceed with an acquisition programme which will allow the council to take a more sustainable approach to the provision of temporary accommodation in the borough. Through owning the properties that are used for temporary accommodation the council will make savings on the provision of temporary accommodation through private landlords and B&B's.

7.4.2 By providing homes that are fit for purpose for residents in need of temporary housing there will be a positive impact on the health and wellbeing of those who would otherwise be placed on accommodation that did not meet their needs.

7.4.3 Crime prevention and resident safety will be considered in the acquisition of new properties, such as maximising opportunities for natural surveillance and building security features that will help prevent crime and enhance occupants' well-being.

7.4.4 The aim will be to achieve a minimum rating of EPC C or above on each property acquired.

7.5 Council Infrastructure

7.5.1 No implications for council infrastructure.

Background Information (as defined by Local Government (Access to Information) Act 1985)

N/A