



Options Appraisal Report

October 2023

Tonbridge and Malling Borough Council
Sustainable Temporary
Accommodation Delivery

Altair

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1. Executive Summary

- 1.1. Altair Consultancy and Advisory Services (“Altair”) were commissioned by Tonbridge and Malling Borough Council (“TMBC” or “the Council”) to research and analyse options to deliver and secure sustainable temporary accommodation (“TA”) within the Tonbridge and Malling borough area with a target number of 40 units.
- 1.2. For the context of the review, TMBC defined ‘sustainable’ options as:
 - In-borough location
 - Enabling more direct management and provision by the Council
 - Energy efficient and low carbon
- 1.3. Altair undertook market research and interviewed key Council officers related to TA to devise a longlist of potential options for the Council to be able to deliver new TA. An interim report was provided to the project steering group who agreed the proposed options shortlist to take forward to the appraisal workshop.
- 1.4. Following this, an options appraisal workshop was undertaken with key Council officers in which the options were presented with cases studies and financial modelling. Workshop attendees discussed each of the presented options and then assessed the options’ suitability, feasibility, and acceptability (“SFA”) against TMBC’s strategic objectives and ‘sustainable’ criteria.
- 1.5. Based on the SFA scores and discussion from the workshop, we recommended that the following options are to be explored further by Council:
 1. Modular construction of new homes
 2. Private sector leasing
 3. Partnership to deliver TA
 4. Join a social lettings agency
 5. Re-purpose existing stock for TA
- 1.6. These recommendations, the rationale for them and our interim report were subsequently discussed at a meeting of the Council’s ‘Informal Cabinet.’ This important consultation with elected members was generally supportive of the options presented. However, although there was support for modular construction there was also a desire to move away from further leasing. Members also expressed a desire to utilise and expand the existing relationship with Clarion. Members are generally not open in the short term, given current interest rate levels, to taking on additional debt and prefer to utilise existing funding streams to pursue the recommended options.

2. Introduction & Context

2.1. Overview of project

- 2.1.1. The number of TA placements in TMBC has increased over the last 5 years, from an average of 60 households to a high of 160 in 2021. The number of placements currently stands at around 100 households.
- 2.1.2. The majority of TMBC's current TA portfolio is 'nightly-paid' accommodation, most of which is not located within TMBC's local authority area. In addition to the nightly-paid accommodation, TMBC own 16 units of TA within the borough which is a mixture of self-contained units and HMOs. The Council also have 7 properties on a long-term lease agreement from a private provider to use for TA placements. Finally, TMBC also have an agreement with Clarion Housing Group ("Clarion") to use up to 20 of its properties in the borough for TA. Currently, only 7 properties are being used as TA under this agreement.
- 2.1.3. In June 2023, Altair were commissioned to research and analyse options to deliver and secure sustainable TA within the Tonbridge and Malling borough area, with a target number of 40 units, carry out feasibility studies for recommended options and produce an options report and recommendations.
- 2.1.4. In the context of this review, 'sustainable' is defined by TMBC as:
- In-Borough location – sustainable in management and control terms, and for households occupying the provision to sustain and maintain their social, family and employment commitments and responsibilities. Note that it was agreed by the project steering group (see Appendix 1 for the list of project steering group members) that this criteria may be flexible to out-of-borough depending on the option (see section 6 for further explanation).
 - Enabling more direct management and influence over provision by the Council, with good quality design and ease of access.
 - Energy efficient and low carbon in its:
 - Construction methods and utilisation of unused sites/brownfield sites.
 - Energy efficiency for occupation with low carbon emissions and use of energy efficiency heating and hot water options.
- 2.1.5. The aim of this project is to minimise the use of nightly paid accommodation to manage temporary accommodation costs and seek alternative provision.

3. Approach

3.1. Project stages and methodology



- 3.1.1. Following the project inception meeting, we reviewed documents and data provided by TMBC and held interviews with nine stakeholders within TMBC to understand the Council’s baseline position and its strategic priorities for delivering TA. The interviewees were from a range of teams within the Council including housing accommodation, property services, housing solutions, finance, benefits and welfare and housing improvement.
- 3.1.2. Simultaneously Altair identified a longlist of potential options for TMBC to deliver and secure TA. We drew upon the available literature and research on TA, as well as expertise from the wider Altair team who contributed best practise case studies as well as some ‘outlandish’ options they have seen being discussed within the sector. The longlist of options (see Appendix 2), totalling 16 options, was reviewed as part of an internal workshop by the Altair team on this project and assessed against TMBC’s ‘sustainable’ criteria.
- 3.1.3. After Altair’s internal assessment, we identified which options should be taken forward to the shortlist and which should be dismissed based on their suitability, feasibility, and acceptability against TMBC ‘sustainable’ criteria.
- 3.1.4. The proposed shortlist of options was presented in an interim report prior to a steering group meeting with project stakeholders on the 10th of July 2023. At the steering group meeting, the proposed longlist of options was discussed and a shortlist of 10 options was agreed to be brought forward to be assessed at the options appraisal workshop.
- 3.1.5. Following the agreement of the options shortlist, Altair undertook financial modelling on each the options under consideration. More information on the inputs, assumptions and outputs of the financial models are outlined in section 5 of this report.
- 3.1.6. On the 9th of August 2023, an options appraisal workshop was held with project stakeholders to assess the suitability, feasibility, and acceptability of the longlist of options. Further detail on the session is set out in section 6 of this report. The outcome of the session and our recommendations are included in this report.
- 3.1.7. It should be noted that Altair were made aware that TMBC have £944,000 of capital funding earmarked for TA provision after the financial modelling and options appraisal workshop took place. Therefore, it has not been included in the commentary contained

in this report. However, this funding should be considered by TMBC when exploring which options to take forward.

- 3.1.8. The options, outputs of the options appraisal workshop and recommendations from our interim report were presented to TMBC's Informal Cabinet on 26th September.
- 3.1.9. Following agreement on which options and recommendations will be taken forward, we have prepared an outline implementation plan to deliver the modular option (Appendix 5).
- 3.1.10. A final report will be taken to TMBC's Housing Planning Select Scrutiny Committee in December 2023.

4. Options Shortlist

4.1.1. Early within the options development phase of the research, it was established that there were five main categories of options that the Council could take forward. These options categories were:

- Option 1 – Direct delivery of new homes
- Option 2 – Property acquisition
- Option 3 – Leasing
- Option 4 – Partnership working
- Option 5 – Re-purpose existing stock

4.1.2. Within each option category, there were specific sub-options to be explored at the options appraisal workshop. An overview of the sub-options within the agreed shortlist are as follows:

4.1.3. Option 1a – Building new homes

4.1.4. The Council develop new TA through capital expenditure.

4.1.5. Option 1b – Modular construction of new homes

4.1.6. The Council use modular construction to deliver new TA units. Modular construction is the use of prefabricated demountable accommodation, which can be delivered onsite from a lorry, constructed rapidly, and then moved to another site when the original site is needed for permanent development.

4.1.7. Option 1c – Shipping containers

4.1.8. The Council convert shipping containers to be used as TA.

4.1.9. Option 2a – Purchasing properties as the Council

4.1.10. The Council purchases properties directly through the General Fund and let them as TA.

4.1.11. Option 2b – Office conversions

4.1.12. The Council convert commercial or Council-owned offices for the use of TA.

4.1.13. Option 3a – Private Sector Leasing

4.1.14. The Council lease properties from the private sector on long-term leases to be used as TA. This can either be through leasing directly from private landlords or through an agent whereby the Council sub-lease the property from the agent.

4.1.15. Option 3b – Private Licenced Accommodation (nightly paid)

4.1.16. The Council continue to acquire properties for TA through private licences on a nightly-paid basis.

4.1.17. Option 4a – Partnership to deliver TA

4.1.18. The Council enter into a partnership with another organisation to purchase, develop and/or manage properties to let as temporary accommodation. For example, this could be through a joint venture or in partnership with a Registered Provider of social housing.

4.1.19. Option 4b – Join a social letting agency

4.1.20. The Council join a local and existing social lettings agency to acquire more properties to use as TA.

4.1.21. Option 5a – Re-purpose existing stock for TA

4.1.22. The Council re-purpose existing stock within the borough to be used as TA. This could include social housing provision such as sheltered housing schemes which are becoming undesirable by the customer group it was originally for, and/or not fit for purpose, in partnership with Registered Providers.

5. Financial Modelling

5.1. General assumptions

5.1.1. Altair have undertaken financial modelling on each of the options under consideration. Consistent assumptions were made across the different models in order to provide an illustrative comparison of the options and for attendees to assess the relative strength and impact of the different options. The assumptions were based on market and internal data provided by TMBC where possible.

5.1.2. It should be reiterated that the costs and revenues are estimates, and that the actual costs and revenues may differ. Some options also have very wide costs parameters and therefore may have significant variability in practice.

5.1.3. The following financial assumptions were made:

- Two property types were considered: 1-bed self-contained accommodation (single homeless) & 3-bed family homes. Results for 2-beds would fall somewhere between the two.
- Rental income: Tenant pays 90% 2011 LHA based on a straight average of BMRAs across TMBC. Tenant rent based on 1 bedroom size higher than the unit being occupied: includes a habitable room (e.g. dining room) assumed to be used as a bedroom.
- House prices & market rents based on average lower quartile house prices in TMBC December 2022 and lower quartile rents for 2022/23 (with 5% uplift to 2023/24 rents).
- Management & maintenance cost assumptions are based on the upper quartile (i.e. higher cost) 2022 RSH Global Accounts¹ averages for 54 providers with under 3,000 units, excluding lease-based providers. This was considered an appropriate benchmark for a local authority with no in-house general needs housing management function. These costs exclude depreciation.
- Land cost assumed to be nil (except for existing property purchases).
- No government subsidy assumed unless stated.
- Capital cost funded by debt at PWLB fixed interest rates over 30 years (or expected asset life, if shorter).
- Annuity loan payment – equal annual instalments, where both principal and interest are paid. Loan repaid gradually over the loan term.

¹Annual cost data published by the RSH (Regulator of Social Housing) for all English Registered Providers of social housing with more than 1,000 units in management.

- 5.1.4. We note in the presentation of the options (in the next section) any additional assumptions being made, or where assumptions were varied from the general assumption above.
- 5.1.5. The purpose of using common assumptions across all options was to maximise comparability. Even if the absolute assumption is too high or too low (meaning the financial performance might in practice be better or worse than modelled), the use of the same assumption across all the options means that their relative performance can be compared.
- 5.1.6. We also compared the cost of schemes at 2% lower interest rates (in anticipation of interest rates being lower in future years) but they made relatively little difference to the relative viability of the schemes.
- 5.1.7. It is the annual cost from day 1 that is being considered, rather than the net present value of the investment over a 30+ year time period. It should be noted that options which deliver the lowest annual cost are not necessarily the best value long term investment, but this analysis recognises that choices need to be made under an annual cost constraint.

5.2. Summary of outputs (include comparison graphs)

- 5.2.1. We have compared the performance of each option both for the operating position (peach bars) and the post-debt position (purple bars). As noted above, we would stress that the absolute level of surplus or deficit in these calculations is less important than the relative performance of each option.

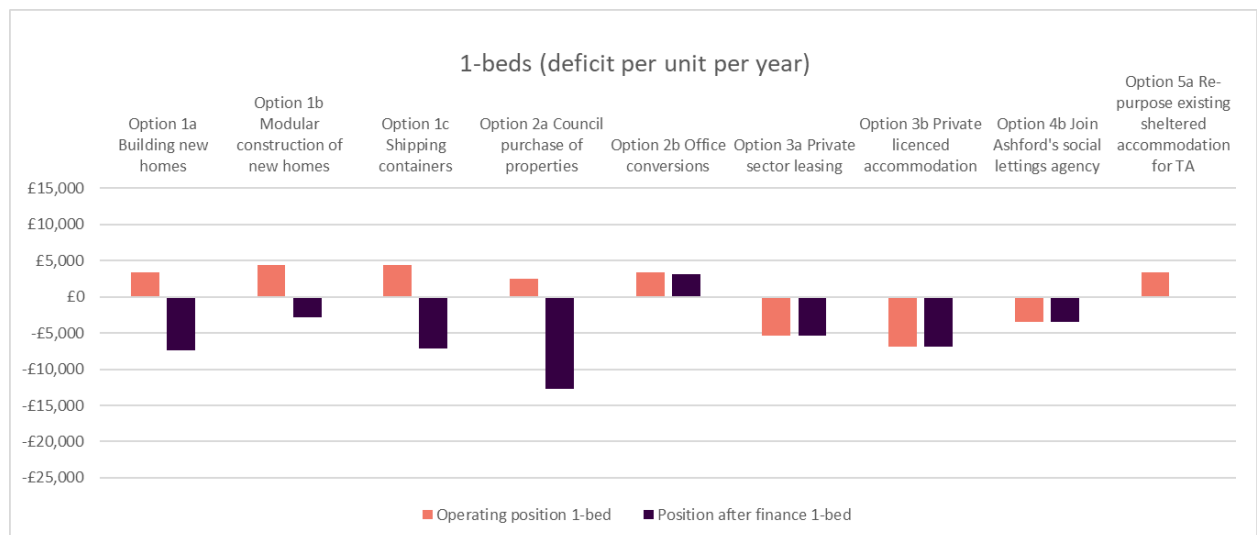


Figure 1: Options 1a-5a operating vs post debt position for 1-beds

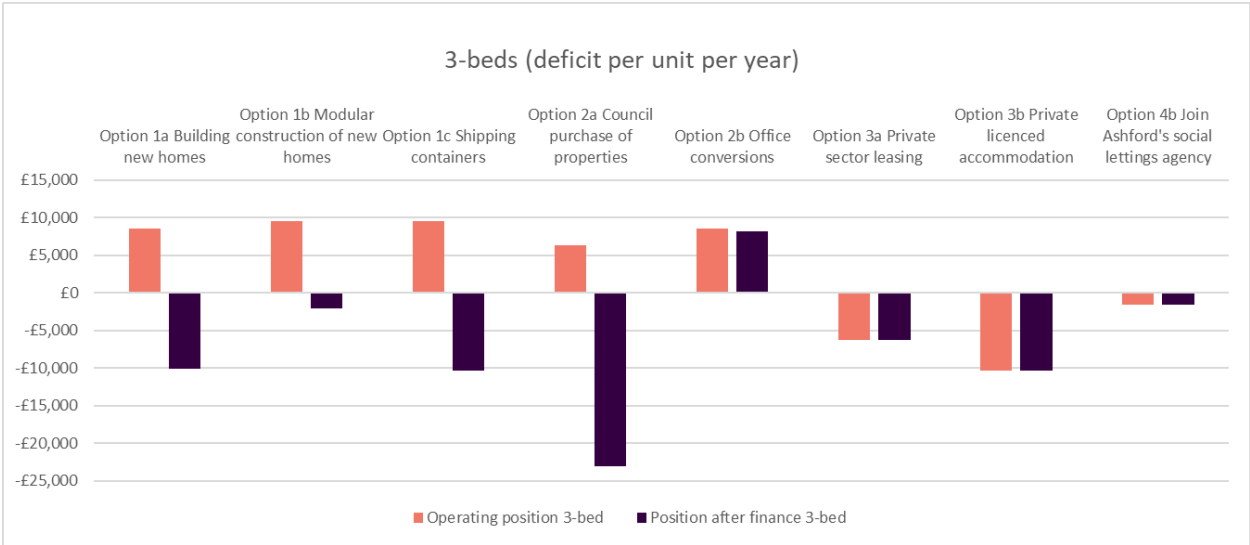


Figure 2: Options 1a-5a operating vs post debt position for 3-beds

5.2.2. As can be seen, purchase of existing properties gives the most negative outcome. This is unsurprising as it entails buying property at full market value, without subsidy, and letting it at below market rents. Options with public subsidy (e.g. 1a new build), lower capital cost (e.g. 1b modular), and options which do not involve borrowing (e.g. 3a private sector leasing) perform better in relative terms.

5.2.3. The cost of the office conversion option 2b depends hugely on the site under consideration – with free land and average conversion costs, it is the most financially viable option, but if conversion costs are higher and the building needs to be acquired, it may be as expensive as new build.

5.2.4. Similarly, option 5a (re-purposing existing sheltered accommodation) is modelled as a rental, but a capital purchase could entail much higher costs.

5.2.5. Note that no 3-bed option has been modelled for option 5a as it was considered probably that sheltered accommodation units would be mainly 1-beds and conversion to larger family-sized accommodation would be unfeasible.

5.3. Inputs, assumptions and outputs for options 1a-5a

5.3.1. In each case the relevant financial consideration is how the option compares with option 3b private licenced accommodation (also referred to as nightly paid accommodation) which is currently TMBC’s dominant mode of provision.

5.4. Option 1a: Building new homes

5.4.1. It is assumed that there is no land cost, i.e. TMBC is building on land it already owns. Adding a land cost would reduce the viability of this scheme (the post-finance deficit could be 35%-70% higher, depending on the mix of housing sizes and the development density).

5.4.2. In this option it is assumed that 30% of the total scheme cost (including land, if applicable) will be funded by Homes England grant. This is based on previous TMBC discussions about possible grant funded schemes.

5.4.3. Debt servicing costs mean that there are large annual deficits until the loan is repaid. However, once the debt is repaid, TMBC owns a valuable asset with various potential alternative uses (subject to any planning conditions such as having to remain as affordable housing).

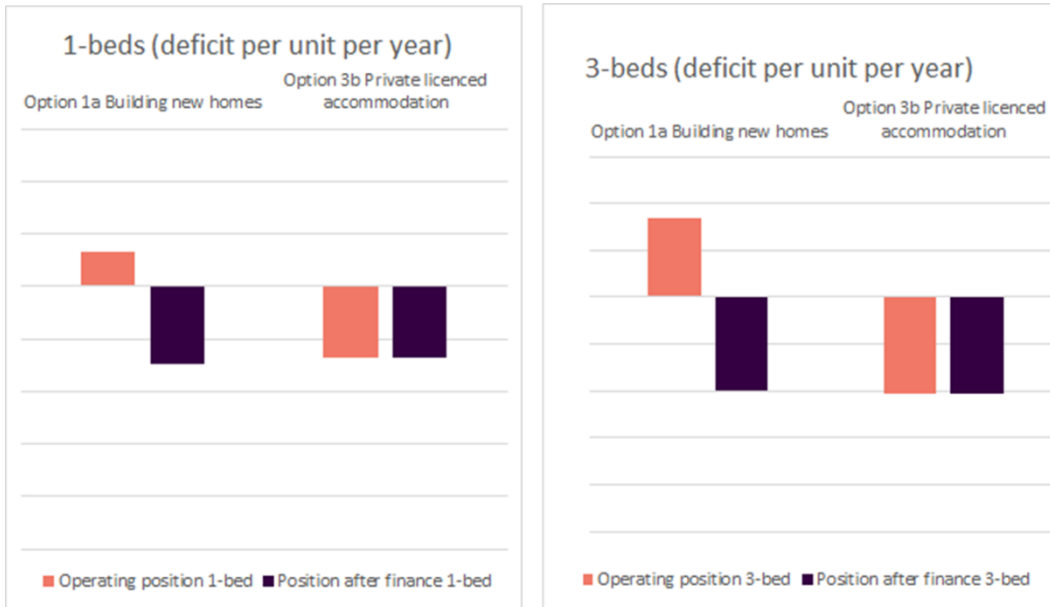


Figure 3: Comparison of financial modelling for option 1a vs current nightly-paid model

5.5. Option 1b: Modular Construction of New Homes

- 5.5.1. This model is based on the use of Hill Group's 'Solohaus' modules being installed on council owned land (i.e. no land cost). Typical unit and installation costs have been provided by the company, but this may vary depending on site access and connections.
- 5.5.2. Costs also include an allowance for on costs (planning, building control, landscaping, additional furniture and white goods to the extent not already included in the units).
- 5.5.3. No grant has been assumed, although with a lifespan of 60 years they could be eligible for Homes England funding, which would improve viability further.
- 5.5.4. We have assumed that major repairs costs will be minimal for the first 10-20 years, so the longer-term annual cost may be higher than currently modelled. However, we would assume that being small units with only a 60 year life, the long term repairs and renewals cost should be lower than for traditional housing.



Figure 4: Comparison of financial modelling for option 1b vs current nightly-paid model

5.6. Option 1c: Shipping containers

- 5.6.1. Costs for these units were obtained from suppliers of private residential container accommodation and 'Tiny Homes'. It is possible that discounts could be obtained for bulk orders but this has not been assumed. Again, we have assumed the containers are installed on council owned land (i.e. no land cost).
- 5.6.2. Costs also include an allowance for on costs (planning, building control, landscaping, additional furniture and white goods to the extent not already included in the units).
- 5.6.3. The typical asset life of this type of dwelling is 10-15 years and many providers offer a 10 year 'lifetime warranty'. We have therefore assumed no long term repair costs. On ongoing cost for routine repairs has been retained, as the warranty is unlikely to cover wear and tear or tenant damage.
- 5.6.4. Given the asset life, we have assumed that the loan would be repaid over 10 years. This increases the annual payment significantly, reducing the viability of this option on an annual cost basis. The asset is assumed to have zero residual value at the end of its useful life. This option has a low up-front cost but is expensive over a 10-year time frame.
- 5.6.5. The site connection costs will vary, as with the modular units above: we have assumed the same connection cost for both options for consistency. However, this being a sunk cost, if after 10 years the containers were replaced with new containers, the connection costs would not need to be incurred again. This would reduce ongoing costs for the second wave of containers, bringing them closer to those of the modular units in 1b.
- 5.6.6. However, if container accommodation were to be regarded as a temporary solution, it may not be appropriate to assume that second and subsequent units would be commissioned.



Figure 5: Comparison of financial modelling for option 1c vs current nightly-paid model

5.7. Option 2a: Purchasing existing properties

- 5.7.1. This is the least viable option from a financial perspective: buying at market value, letting at sub-market rents, and funding the purchase with a repayment loan on 100% loan-to-value terms.
- 5.7.2. Purchase grant is unlikely to be available as there is no additional housing supply created.
- 5.7.3. However, once the loan is repaid TMBC would own a valuable asset with few restrictions on its use.
- 5.7.4. We have assumed purchase prices based on an average of lower quartile sales values across all wards in TMBC (£208k for 1-beds and £383k for 3-beds). Additional costs include stamp duty, fees, and £12k-£20k spend to make the property lettable (e.g. upgrading thermal efficiency to EPC level C).
- 5.7.5. Units in least expensive wards may deliver lower deficits (but still larger deficits than nightly paid accommodation).
- 5.7.6. Less expensive areas are likely to be in lower LHA areas so capital savings may be offset by lower rental income from which to service borrowing (although there may be local areas which are outliers which would result in smaller deficits).

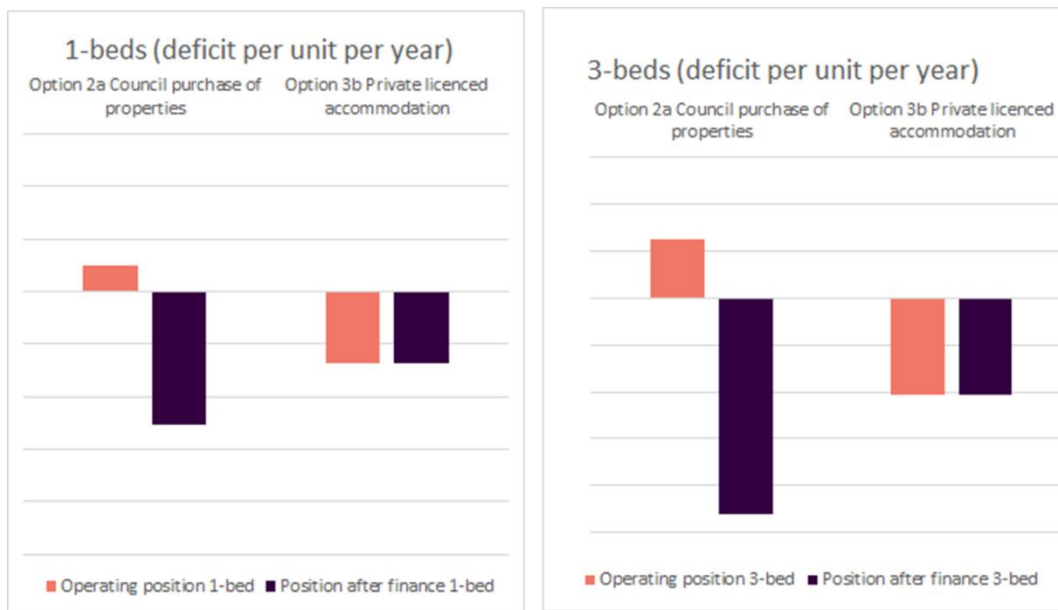


Figure 6: Comparison of financial modelling for option 2a vs current nightly-paid model

5.8. Option 2b: Office conversions

- 5.8.1. It is impossible to give a typical conversion cost, as this cost will depend heavily on the property in question.
- 5.8.2. Costs in this option are based on Buildings Cost Information Service's ("BCIS") July 2023 median refurbishment & conversion costs for the Tonbridge & Malling area, applied to nationally described space standards (NDSS) for unit sizes and allowing for circulation space and common parts. Costs include 10% on-costs (planning, building control, etc). Again, we have assumed the property is already owned by the Council, i.e. no acquisition cost.
- 5.8.3. This scheme looks like the most viable option at median costs. However, at upper quartile costs the overall scheme cost would be comparable to the new build option 1a and thus much less financially viable.
- 5.8.4. Overall, this option has a wide range of possible outcomes depending on the property, so it is worth exploring.
- 5.8.5. Purchasing unwanted office buildings could be an option (although less financially viable since there is an acquisition cost). We have not modelled this option, as it would be even more difficult to price. It should be borne in mind that any property with good conversion potential is likely to have this quality reflected to some extent in its purchase price.

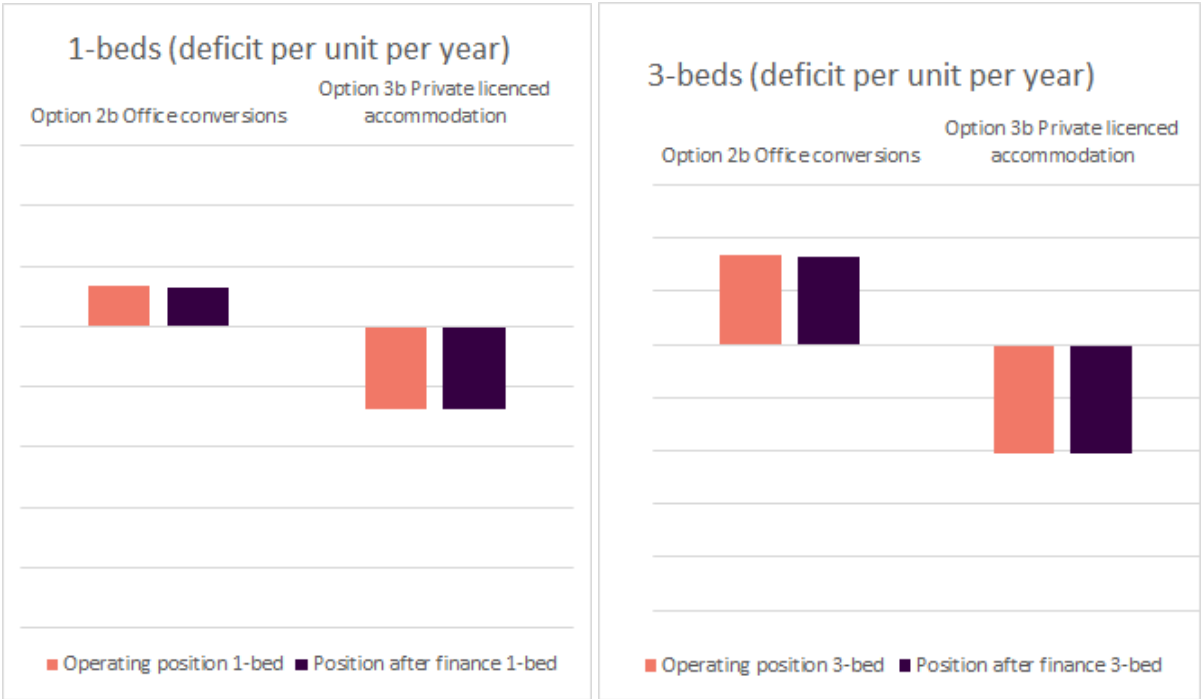


Figure 7: Comparison of financial modelling for option 2b vs current nightly-paid model

5.9. Option 3a: Private Sector Leasing

- 5.9.1. Under this model, TMBC has 3-5 year leases with private landlords. Landlords receive a 5% discount to lower quartile market rents in TMBC, the discount reflecting the benefit of guaranteed rental income. The landlord receives rent as long as the property is habitable and the void risk lies with TMBC.
- 5.9.2. We have assumed lower management & maintenance costs than for ownership models, as the landlord retains responsibility for some repairs.
- 5.9.3. Longer lease terms may be available from institutional investors, but we would advise caution as such lease models can create a risk of being tied to paying CPI-linked rents or incurring significant early termination costs.
- 5.9.4. Regardless of the length of the lease, TMBC should be aware of the potential for dilapidation costs when the lease is handed back to the owner – this risk can be reduced by keeping the properties well-maintained throughout the lease period and agreeing with the landlord a thorough property condition report at the start of the lease.
- 5.9.5. Under our modelling assumptions, this option generates a smaller deficit than nightly paid accommodation (option 3b) or purchases of traditional build properties. However, it assumes that landlords can be attracted at these rent levels and they will accept the discount in the headline rent to benefit from the guaranteed income.

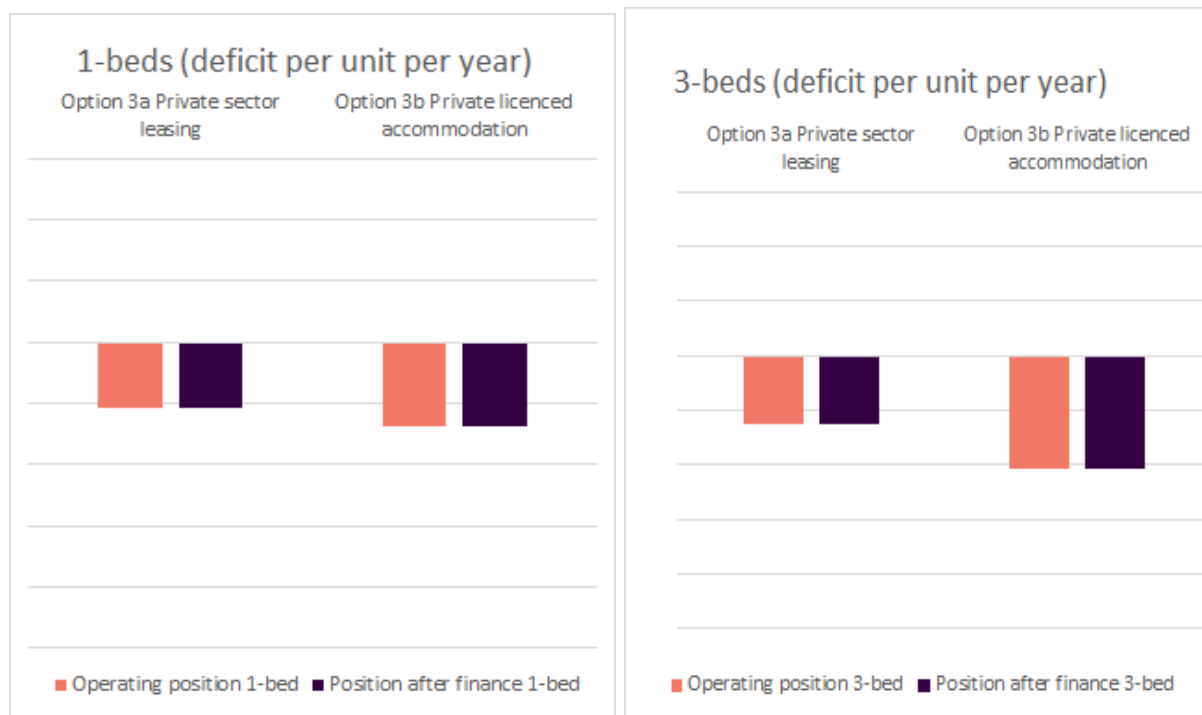


Figure 7: Comparison of financial modelling for option 3a vs current nightly-paid model

5.10. Option 3b: Private Licenced Accommodation (Nightly Paid)

5.10.1. This is the dominant model of TA provision in TMBC against which other options are being compared. Landlords receive a premium to market rents and the arrangements with TMBC are short term. This is a costly procurement route on which TMBC would like to reduce its dependence. This option is increasingly expensive as market rents increase while tenant rents are frozen.

5.10.2. We have used supplier cost information from TMBC for rents payable to landlords and assumed the same management and maintenance costs as for PSL, as landlords will be responsible for non-routine maintenance costs. Compared to lower quarter market rents, landlords receive a premium of at least 20%-30% but bear void risk.

5.10.3. The loss TMBC makes varies widely by supplier, by Local Authority area and by property size. Some suppliers appear better value than others, but the sample size is small so this may reflect arrangements at particular properties.

5.10.4. Under our modelling assumptions, this option makes a larger deficit than PSL (option 3a) but smaller than that for purchases of traditional build properties.

5.11. Option 4 – Partnerships to deliver TA

5.11.1. We have not modelled any particular arrangement as the partnership working approach could be applied to any procurement route to purchase, develop and/or manage TA properties.

5.11.2. Whichever option the partnership works to provide, the option would need to generate sufficient income for the partner to achieve their required return on investment. Depending on the partnership, finance may be more expensive than PWLB rates.

5.12. Option 4b – Join a social lettings agency

- 5.12.1. We have assumed TMBC joins an established Kent social lettings agency. Tenants pay 90% 2011 LHA rent based on bedroom need, and landlords receive current LHA based on the number of bedrooms. The Agent takes 10% of the landlord rent as a management fee. The agent provides day to day management, and routine repairs not falling to the landlord, while TMBC retains responsibility for case management, referrals and rent/HB aspects. We have assumed TMBC unit management and maintenance costs are halved, but this would depend in practice on the division of work between TMBC and the Agent.
- 5.12.2. Under our modelling assumptions, this option generates a much smaller deficit than the current nightly paid option (3b). However, the model is sensitive to differences between 2023 LHA & 2011 LHA, and to the bedroom size differential.
- 5.12.3. The main difference from PSL (option 3a) is that the rent received by the landlord is lower and a different agent manages the relationship with the landlord (providing a fully managed service). It can be financially advantageous if this service can be provided at lower cost than by TMBC in house.
- 5.12.4. If landlord rents need to be higher to attract supply, this option becomes comparable with PSL in financial terms, although without the risk to TMBC of being tied into leases with fixed outgoings.

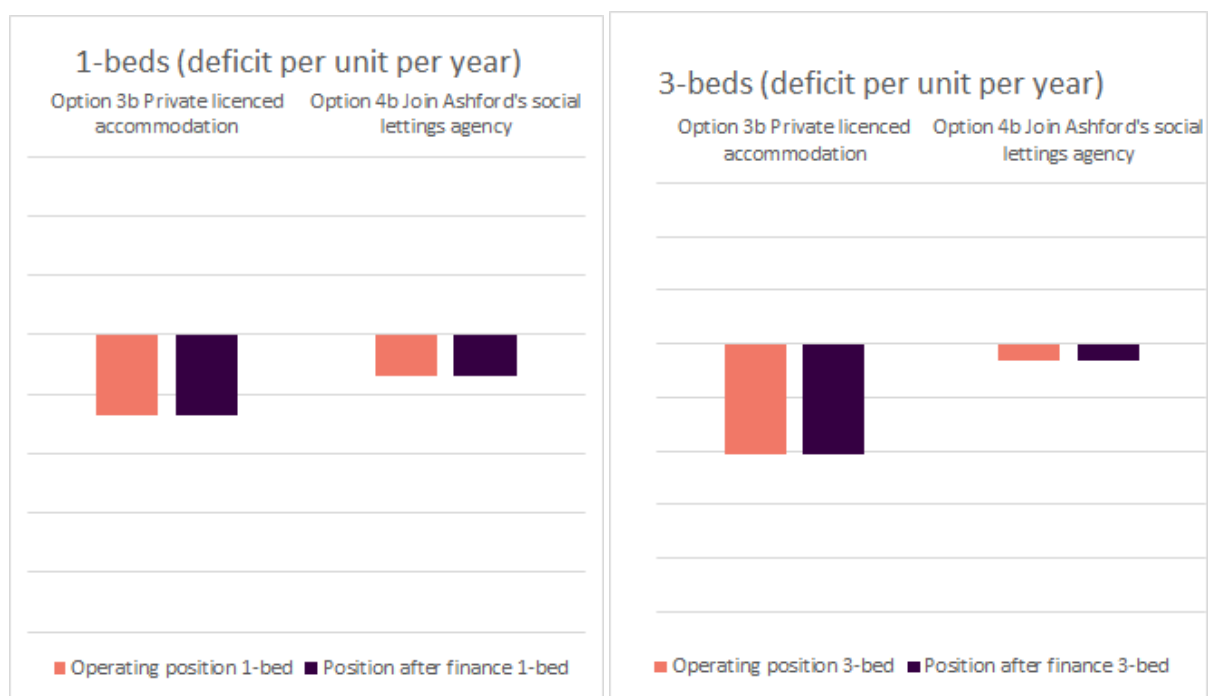


Figure 8: Comparison of financial modelling for option 4b vs current nightly-paid model

5.13. Option 5a – Repurpose existing stock

- 5.13.1. We are assuming the use of underused sheltered stock owned by RPs (or possibly other housing organisations) in borough. Sheltered accommodation is likely to provide only 1-beds and some 2-beds, so the 3-bed option has not been modelled.

- 5.13.2. We have assumed a rental model – TMBC would rent units (by room, or more likely as a block) from a housing provider at a rate to be negotiated (we have used an approximate break-even rate, which should offer an attractive level of operating surplus for the provider, but the rent would of course be subject to negotiation). TMBC is assumed to bear full management and maintenance costs (although the exact terms would again be for negotiation).
- 5.13.3. We envisaged this as a low cost option for sourcing units for single homeless households, which may be a suitable 'meanwhile' use for RP sheltered stock while redevelopment plans are being worked up by the RP (like 'short life' housing).
- 5.13.4. We assume the properties only need minor spend (void works plus provision of some furniture & white goods) to be lettable.
- 5.13.5. A purchase version of this option would increase the cost (via borrowing charges). Given the age of typical sheltered housing stock, this option entails a risk of acquiring a property in need of significant longer-term investment. We have not modelled this option as the acquisition cost is likely to depend on the condition of the property.

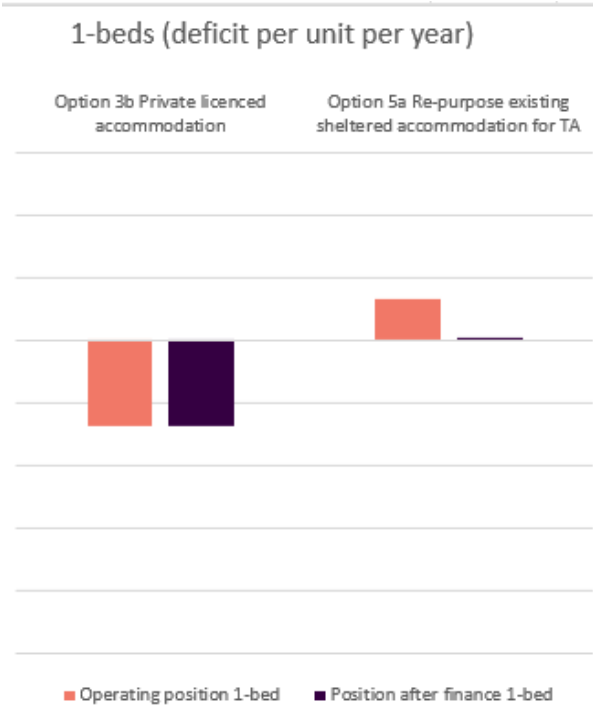


Figure 9: Comparison of financial modelling for option 5a vs current nightly-paid model

6. Options Appraisal Workshop

6.1. Introduction

- 6.1.1. On the 9th of August 2023, an options workshop was held with key Council officers at TMBC. The aim of the session was to develop and assess potential options to deliver and secure sustainable TA within the Tonbridge and Malling borough area.
- 6.1.2. This section sets out more details of the procedure for the workshop, the discussion on the proposed options and the outcome of the appraisals.

6.2. Overview of workshop

- 6.2.1. At the workshop we presented the agreed shortlist of options.
- 6.2.2. Each option was described with an overview of the option, the identified strengths and weaknesses, financial modelling (including assumptions and relative performance against TMBC’s current nightly-paid TA model), and for most of the options, a case study. The case studies for the shortlisted options are outlined in Appendix 3.
- 6.2.3. After each option was presented, attendees were asked to reflect on the options and to make an assessment using the suggested criteria for suitability, feasibility, and acceptability (SFA) as outlined in the table below:

Criteria			Potential Score
1	Suitability	How suitable/effective is each option for TMBC? Does it meet TMBC’s objectives (e.g. meeting the ‘sustainable’ criteria)?	1 (low) - 5 (high)
2	Feasibility	Is the option implementable in practice with reasonable expectations for resource and available skills? Is the option financially viable?	1 - 5
3	Acceptability	How acceptable is the option to stakeholders within your directorate and also to wider stakeholders?	1 - 5

- 6.2.4. The combined 1-5 scores for SFA of each option gave an overall score out of 15. The scores presented in the following section are the overall average of each of the attendees scores.
- 6.2.5. It should be noted that prior to the workshop, it was agreed that the ‘in-borough location’ element of TMBC’s sustainable criteria may be flexible to be out-of-borough dependent on the option. For example, options such as property acquisition, private sector leases and direct delivery of homes would need to be in-borough but options such as accessing the private rented sector through joining a social lettings agency and shorter-term lease arrangements could be out-of-borough if suitable. The discussions on whether the option would be suitable out-of-borough or not is highlighted in the section below.

6.3. Assessment of options

6.3.1. This section highlights the identified strengths and weaknesses for each option presented in the workshop, the discussion by attendees on the options and the SFA scoring.

6.4. Option 1a – New build

6.4.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> Enables direct provision for the Council. Will create a valuable residual asset with various alternative uses. 	<ul style="list-style-type: none"> High capital or borrowing cost. High net loss per unit p.a. The Council will incur management, repairs and maintenance costs for the units.

6.4.2. The workshop attendees' discussion highlighted that the Council does not have the resources or skills to develop new homes.

6.4.3. It was also felt that this option may be more acceptable to Members if the developments were just an asset to the Council that could be used for TA as well as alternative uses, rather than solely for TA.

6.4.4. Whilst this was viewed as a suitable option for the Council to deliver new TA, the feasibility of funding this option through significant debt expenditure lead to a low feasibility scoring.

6.4.5. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
1a	Building new homes	4.4	1.6	2.8	8.8

6.5. Option 1b – Modular Construction

6.5.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> Timely and cost-effective use of sites. Speed of construction. Less waste on-site. Reduced on-site disruption. Timber frames are more sustainable than traditional building methods 	<ul style="list-style-type: none"> Availability of land for these sites will be a challenge as they are typically delivered on meanwhile sites. There may also be funding constraints for the Council. Rising building costs has led to a reduction in the market for modular developers, as seen by large RPs such as L&Q recently exiting the modular market.

	<ul style="list-style-type: none"> • Little to no residual asset value at end of asset life
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6.5.2. The attendees all agreed that there would be a lower development risk for this option in comparison to Option 1a. Some potential sites in the borough that could be used for this option were also identified and discussed by attendees.

6.5.3. Overall, this option scored the highest in the SFA assessment.

6.5.4. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
1b	Modular construction of new homes	4.8	4	4.6	13.4

6.6. Option 1c – Shipping Containers

6.6.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Enables direct provision for the Council. • The units are self-contained. • Cost effective to set up. 	<ul style="list-style-type: none"> • Overcrowding can be an issue in these units. • Quality of accommodation can be poor. • Shipping containers typically have a lifespan of 10-15 years so are not a long-term sustainable option for the Council

6.6.2. Attendees noted that this could be a suitable and feasible option if a site became available for a maximum of 10-15 years.

6.6.3. Despite it being the least financially viable option, the feasibility score reflected the practical ease of implementing this delivery option.

6.6.4. Ultimately, the attendees felt that it was neither a suitable nor acceptable option for the Council to progress with.

6.6.5. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
1c	Shipping containers	2.6	3.6	2	8.2

6.7. Option 2a – Purchasing Properties

6.7.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses

<ul style="list-style-type: none"> • The Council can have full provision over the delivery and management of the accommodation. • Long-term option for the Council to deliver more TA units. • Will create a valuable residual asset with various alternative uses. 	<ul style="list-style-type: none"> • This option will not address short-term fall in TA supply for TMBC. • This option will be costly in the current economic environment. • Buying existing stock does not increase overall supply of housing within the borough.
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6.7.2. Attendees considered the trade-off between purchasing properties in and out of borough. It was noted that in-borough prices would be higher than out-of-borough options in the north of Kent, but LHA rates would still remain the same.

6.7.3. Management costs were also noted as a consideration for this option in light of recent management services proposals received for the provision of some of the Council's TA units.

6.7.4. It was agreed that this option could have a role in meeting the number of units but would be too costly to meet the full 40-unit target number alone.

6.7.5. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
2a	Purchasing Properties	4	2.2	3.6	9.8

6.8. Option 2b – Office to residential conversions

6.8.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Converting and repurposing commercial premises into residential can be a quick route to boosting the supply of temporary accommodation. • Likely to be more cost effective than building new properties (although exact costs are unknown and dependent on the asset that is being converted). 	<ul style="list-style-type: none"> • Overcrowding can be an issue in these units. • These units can also often be poor quality and below the required space standards. • Depending on the local market conditions, unused office accommodation may be in short supply.

6.8.2. Attendees discussed some potential commercial office sites in the borough that are currently empty. The possibility of converting the current TMBC's office building once it had been vacated was discussed, however it was deemed unlikely due to planning permission constraints on a grade 2 listed building and covenant restrictions from Kent County Council.

6.8.3. Workshop attendees agreed that the benefit of this option would be that it could allow local provision and a high amount of unit in-borough. However, there were more unknowns and uncertainties about costs for converting offices, particularly commercial offices, into residential units than other options which led to a low feasibility scoring.

6.8.4. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
2b	Office to residential conversions	3.2	2.8	3.8	9.8

6.9. Option 3a – Private Sector Leasing

6.9.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> The Council can have greater control on management, property standards, and voids. Supply is safeguarded for the duration of the lease. 	<ul style="list-style-type: none"> Although there should be break clauses, it can reduce flexibility for the Council if the property is void for long periods. In the current market PSL may not be available other than at a loss to the council – particularly with low LHA rates.

6.9.2. The attendees acknowledged that TMBC do already have properties on longer-term leases from the private sector but highlighted that it is a challenge to attract landlords within the borough due to the low LHA rates.

6.9.3. Another challenge for the Council is that this approach may result in competitive bidding for properties against local TA portfolio providers.

6.9.4. Although this was viewed as an acceptable option for TMBC, particularly as a shorter-term solution, attendees questioned how feasible and realistic it would be to get landlords to provide properties on the LHA rate basis.

6.9.5. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
3a	Private sector leasing	3.8	2.8	4	10.6

6.10. Option 3b – Private Licensed Accommodation (Nightly-Paid)

6.10.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> PLA is easier to get out of quickly for both the council and the owner/agent. This flexibility can be good if a particular property is no longer needed. Maintenance responsibilities for the council may also be less than in PSL, reflecting the potentially shorter- 	<ul style="list-style-type: none"> It is a very costly delivery model The flexibility for landlords to pull out of the market can also be a long-term challenge for this option.

term use, though this depends on the terms of the agreement.
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6.10.2. After discussion, the attendees scored this option based on it being an as-is delivery model to increase TA supply within the borough.

6.10.3. Attendees noted that the location of the TA units acquired through this option would have to be flexible. Although in-borough units would be more acceptable, they would also be more costly.

6.10.4. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
3b	Private licensed accommodation (nightly paid)	2.2	1.6	1.8	5.6

6.11. Option 4a – Partnership to deliver TA

6.11.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> Reduces the Council's overall investment requirement for the project. May reduce the Council's up-front investment requirement (depending on how partnership is structured). Shared risk with the partner Lower total interest costs to the Council (because of lower total investment is shared). 	<ul style="list-style-type: none"> Depending on the partnership, finance may be more expensive than Public Works Loan Board rates. Risk of loss of control to the partner. For a Joint Venture, there is a risk of financial failure. Partnership with an HA may depend on the willingness of RPs in the borough. For a partnership with a developer, the developer will expect the Council to 'bring something to the table'.

6.11.2. The workshop attendees were presented with different partnership options to deliver TA such as joint venture, partnership with a developer and partnership with an HA.

6.11.3. Although the different partnership routes were discussed by attendees, there was not an agreement on which one they would take forward. As such, this option was not scored on its SFA. However, the attendees did agree to explore partnership working as a variation on each of the recommended options.

6.12. Option 4b – Join a social lettings agency

6.12.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Effective method of procuring properties from the private sector. • An established Kent social lettings agency is keen for TMBC to join its social letting agency. • Only costs to TMBC relate to tenant case management/referral. • Repairs costs are covered by the landlord or from the letting agency fee. 	<ul style="list-style-type: none"> • LHA rates may be too low to attract landlords in the borough. • May be more suitable for settled accommodation than temporary accommodation (with more frequent voids). • TMBC involvement might have to be greater with TA tenants (and thus more costly).

6.12.2. It was noted by attendees that social lettings agencies are more likely to be used for settled accommodation discharge into the private sector rather than for TA.

6.12.3. Although there were queries on how realistic this option would be for delivering TA, attendees agreed that they would like to explore whether TMBC could use local social lettings agencies for the use of TA. It was noted that in order to explore this option further, the Council would need to understand how the relationships would work between the agency, Council, residents and landlords to deliver TA and how they would be able to set up a potential discharge service from TA into private sector accommodation through the agency.

6.12.4. Attendees did acknowledge that joining a social lettings agency would strengthen their private sector offering but this was not within the scope of this assessment.

6.12.5. As the practicalities of this option still needed to be further explored by TMBC with local social lettings agencies, the attendees did not score this option on its SFA.

6.13. Option 5a – Re-purpose existing stock

6.13.1. The strengths and weaknesses of this option identified by Altair were:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Effective and sustainable use of existing properties. • More cost effective than developing new properties. • TMBC can have direct provision of the accommodation (if purchased). 	<ul style="list-style-type: none"> • Properties may need retrofitting to bring up to adequate standard and to be energy efficient. • In the long-term, energy efficiency of properties may need addressing if below EPC C standard, therefore having future cost implications. • This option may present management challenges while existing residents are in situ

6.13.2. It was noted that a block of accommodation would need to be re-purposed for this option to be feasible, rather than just individual bed spaces. Attendees highlighted that blocks of sheltered accommodation in the borough that could be re-purposed range between 5-20 units.

6.13.3. Some potential schemes were identified by the attendees for this option.

6.13.4. It was highlighted by attendees that this option is dependent on a partner having available stock and therefore it is out of the control of the Council to pursue. Although the financial viability of this option was good, the Council's lack of control made its ability to be implemented low and therefore reduced the feasibility scoring from attendees.

6.13.5. The SFA scoring for this option was:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
5a	Re-purpose existing stock for TA	3.6	2.8	4	10.4

6.14. Conclusion

6.14.1. The overall SFA scorings from the options workshop were as follows:

No.	Option	Suitability	Feasibility	Acceptability	Overall Score
1a	Building new homes	4.4	1.6	2.8	8.8
1b	Modular construction of new homes	4.8	4	4.6	13.4
1c	Shipping containers	2.6	3.6	2	8.2
2a	Purchasing properties	4	2.2	3.6	9.8
2b	Office to residential conversions	3.2	2.8	3.8	9.8
3a	Private sector leasing	3.8	2.8	4	10.6
3b	Private licensed accommodation (nightly paid)	2.2	1.6	1.8	5.6
5a	Re-purpose existing stock for TA	3.6	2.8	4	10.4

6.14.2. Based on the SFA scores from the workshop, the following options were rated most highly (more than ten out of a possible 15):

1. Modular construction of new homes
2. Private sector leasing
3. Re-purpose existing stock for TA

6.14.3. Although they were not scored in the SFA assessment, the following options were agreed to be explored further by attendees:

1. Partnership to deliver TA
2. Join a social lettings agency

7. Informal Cabinet

7.1. Introduction

- 7.1.1. The recommendations from the Optional Appraisal Workshop and the rationale for them were subsequently discussed at a meeting of the Council's Informal Cabinet on 26th September. Brief notes of the discussion are set out below.
- 7.1.2. Members discussed the fact that TA numbers are down significantly from the peak but still much higher than the 80 'target.' Even with improved processes in place, the increased demand will mean that the number of households in TA is not likely to reduce hugely, even though officers are managing it very closely. Therefore, managing down the net cost of each placement is key.

7.2. Modular Construction

- 7.2.1. Members expressed an interest in the possibility of progressing a modular scheme on a provisional site identified for further investigation and to look to fund this scheme – at least in part – through S106 affordable housing commuted sums. Although Members were aware that for a smaller scale project the set-up, project management and ground work costs might be disproportionately and prohibitively high, this was an option they wished to explore further.

7.3. Private Sector Leasing

- 7.3.1. Generally, the view from members was that they wished to move away from leasing. However, there was also recognition that leasing will remain part of the overall provision and that the strong relationships developed with some operators should be maintained. It was noted that alternative procurement routes could be utilised, for example 'competitive dialogue' type processes, whereby solutions are co-developed with the providers. This might be a better approach as some providers do not have an appetite for competitive bidding processes due to the high demand for their product.

7.4. Clarion

- 7.4.1. Clarion are already committed to working with the Council on TA provision and members acknowledged the positive working relationship. It was noted that the properties with Clarion do not remain static, as when one is vacated for TA, it is reassessed by Clarion/TMBC working jointly to consider best use at that time (which may be another TA household, direct nomination from a TA unit into this as permanent housing or advertising on CBL).
- 7.4.2. Members wondered if there could be a further push on use of additional Clarion units for TA, but understood that without increased supply Clarion would only be using existing homes that could be put to other use, for example, permanent rehousing.
- 7.4.3. Clarion have agreed to provide information on a longer-term leasing model they utilise with other boroughs and members were keen for officers to look at this more closely.
- 7.4.4. Given the very strong relationship members were keen to explore all the options for further collaboration with Clarion.

7.5. Appetite for borrowing

- 7.5.1. Members discussed whether they were prepared to take on additional borrowing to fund new TA delivery options and there was a consensus that it was not a good time to be taking on additional borrowing given current interest rates. Therefore, existing available funding should be utilised first. Additional borrowing was not ruled out over the longer term however.

8. Recommendations

8.1. Recommendations

8.1.1. Our recommendations take account of the SFA scoring by the key Council stakeholders; however, this has not been the only driver. Rather, our recommendations are also formed on the opportunities and issues identified within the options appraisal workshop discussions and with key Council stakeholders, as well as our own view based on experience.

8.1.2. These recommendations have been subject to consultation and discussion with senior Council officers and TMBC cabinet members at TMBC’s Informal Cabinet.

No.	Recommendation
1	<p>Modular construction of new homes – TMBC should explore the option to develop new TA through modular construction. This includes identifying possible sites, modular developers, capital available to the Council and grants available from Homes England to take forward this option.</p>
2	<p>Private sector leasing - TMBC should continue to explore opportunities to lease homes from the private sector on a longer-term basis than the nightly-paid properties. Initially, this may be through developing relationships with landlords with local portfolios.</p>
3	<p>Partnership – TMBC should explore opportunities to partner with a third party to provide new TA units within the borough. These opportunities could include, but are not limited to:</p> <ul style="list-style-type: none"> • Extending the current partnership arrangement with Clarion • Partnering with another local registered provider to explore a similar arrangement to the Clarion partnership
4	<p>Social Lettings Agency – TMBC should engage with local social lettings agencies to understand if and how a TA offering would work if the Council joined the agency. Areas that the Council will need to understand further before exploring this option further include (but are not limited to):</p> <ul style="list-style-type: none"> • How the relationships between TA stakeholders (resident, landlord, agent, TMBC etc.) would work in practice to deliver TA through the agency. • How a discharge service would be set up and work in practice.

5	Re-purpose existing stock – TMBC should identify if there are any existing sheltered accommodation schemes that could re-purpose for TA. TMBC should work with RPs in the borough to identify potential assets to re-purpose, such as ex or soon to be ex-sheltered accommodation blocks. TMBC should also be agile to any future opportunities that arise to re-purpose accommodation within the borough.
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8.2. Next steps

8.2.1. A final report will be presented at TMBC’s Housing Planning Select Scrutiny Committee in December 2023.

Appendix 1 Project Steering Group members

The project steering group comprised of the following TMBC officers:

- Julie Beilby – Chief Executive
- Eleanor Hoyle – Director of Planning, Housing and Environment
- Sharon Shelton – Director of Finance and Transformation
- Linda Hibbs – Head of Housing and Health
- Stuart Edwards – Head of Administrative and Property Services
- Andrew Rosevear – Benefits and Welfare Manager
- Gillian Aylett – Housing Strategy and Enabling Manager

Appendix 2 Longlist of Options

The following options were identified in the initial longlist presented in the interim report:

- Option 1 – Private Sector Leasing (PSL)
- Option 2 – Private Licensed Accommodation (PLA)
- Option 3 – Housing Association Leasing Schemes (HALS)
- Option 4 – Buy properties directly as the Council
- Option 5 – Wholly Owned Housing Company
- Option 6 – Joint Venture
- Option 7 – Property Purchase Fund
- Option 8 – Partner Organisation
- Option 9 – Modular Construction
- Option 10 – Working with Other Councils
- Option 11 – Office Block Conversions
- Option 12 – Shipping Containers
- Option 13 – Empty Properties
- Option 14 – Letting Agents
- Option 15 – Private Finance
- Option 16 – Repurposing existing stock

There were a number of options that were proposed by Altair team members that, after assessment, were not brought forward even onto the longlist. These included:

- **Caravans / mobile homes** – this type of accommodation can be a breach of planning as caravans / mobile homes usually have limitations to use and therefore for people to live in them for longer than a holiday can be the Council condoning a breach. Also, caravans don't need to meet building regulations so TMBC could be open to criticism if there are issues with damp/cold/mould etc.
- **Boats / canal barges** – housing benefit can only be claimed on cost of mooring and not on the rent of an actual boat. Therefore, it was deemed to be an unsuitable and unviable option for TMBC.

Appendix 3 Case Studies

The following case studies were presented alongside the associated option at the options appraisal workshop:

Proposed Option	Organisation/s	Case Study Description
Building new homes	Bournemouth, Christchurch and Poole Council (BCP)	<p>BCP Council developed 24 purpose-built temporary accommodation units through a mix of 1-, 2- and 3-bedroom self-contained units . The development, which is due for completion in autumn, is situated on the site of the former Bourne Valley Community Centre in Herbert Avenue.</p> <p>The development received the Affordable Housing Development of the Year accolade at the Insider South West Property Awards earlier this year due to the social impact of the scheme, tackling homelessness in a challenging area of the region while providing strong eco, accessibility and Passivhaus credentials.</p>
Modular construction of new homes	London Borough of Lewisham Council/PLACE's Ladywell Scheme	<p>In 2014, LB Lewisham Council decided to construct purpose-built housing for homeless families with children using pioneering modular construction techniques in partnership with PLACE.</p> <p>The units themselves are manufactured from standard timber components and fully fitted out with bathroom, kitchen, flooring and all finishes in the factory. Each apartment is made up of two 'boxes', one comprising the bedrooms and the other the bathroom, kitchen and living area with electrical and water connections. In February 2016, the apartments and four community/retail units were transported by road from the factory in Derbyshire and lifted into place, then linked together. Each of the 24 apartments provides a high-quality homes that exceeds the London Space Standards by 10%.</p>

Proposed Option	Organisation/s	Case Study Description
		<p>Not counting the value of the land, PLACE/Ladywell cost about £160,000 per two-bed flat (including lifts and walkways fitted on site), compared to approximately £200,000 for a standard build two-bed flat.</p>
Shipping containers	Brighton and Hove City Council	<p>Richardson’s Yard, in New England Road, was built in 2013 by Brighton Housing Trust – now BHT Sussex – with an original lease of five years. The scheme is made up of 36 self-contained units of converted shipping containers used for TA.</p> <p>This was extended for another five years to May 2023 – but BHT Sussex and its partner QED Sustainable Urban Developments are asking for a further two years. Planning permission for the units to stay for another two years has been submitted.</p> <p>It was noted that there were “initial teething problems including isolated cases of ASB”.</p>
Purchasing properties	London Borough of Islington Council	<p>Islington Council were concerned about the amount spent on private accommodation for TA, which had reached about £9 million per annum. At the same time there were concerns about the standards of the accommodation being provided, as the LHA and benefits cap limited searches to the bottom decile of the property market.</p> <p>The acquisitions programme started in September 2018 with a target to purchase 50 properties for TA within the year. Six months later Islington had acquired 49 properties and 15 had been let. All 49 are within Islington and the majority of the properties are ex-right to buy properties on council estates. A ceiling of £400,000 per property means that most of the purchases are two- and three-bed flats.</p> <p>Islington’s success in acquiring the properties can be partly attributed to experienced staff with good negotiating skills, who are adept at building</p>

Proposed Option	Organisation/s	Case Study Description
		<p>relationships with local estate agents. But Islington also presented as a cash buyer, able to progress the sale quickly and consequently was appealing to many sellers.</p> <p>Acquisitions were partly funded with RTB receipts. The borough’s analysis showed that the strategy would deliver significant savings over ten years, but there is now a question mark over whether the government will continue to allow the use of RTB receipts for this purpose.</p> <p>Through these and other actions, Islington’s overall target is to reduce reliance on the PRS (for TA) by 30% by 2020.</p>
Office to residential conversions	London Borough of Newham Council & Local Space	<p>In 2023, a small housing association set up by LB Newham Council, Local Space, recently signed a lease with Newham Council to manage a converted office block for TA.</p> <p>Acquired to accommodate homeless families, the block was refurbished using Local Space’s letting standard. This was done in consultation with residents and with a focus on access to communal space.</p>
Partnership to deliver TA	London Borough of Waltham Forest & Mears	<p>London Borough of Waltham Forest entered a Joint Venture (JV) with Mears Limited to secure homes for 40 years. The JV expects to purchase 400 homes to house people in temporary accommodation and those for whom the council has accepted homelessness duty.</p> <p>The council will lease homes from the JV paying a rent (Local Housing Allowance and top up) which will enable the JV to pay a return to investors and still represent good value for money to the General Fund.</p> <p>At the end of the 40-year period, the homes will revert to the ownership of Waltham Forest.</p>

Proposed Option	Organisation/s	Case Study Description
Join a social lettings agency	Let Us	<p>Let Us is the Greater Manchester Ethical Letting Agency. It comprises a group of five housing providers (Salix Homes, Bolton at Home, Stockport Homes Group, Wigan Council and Forhousing), formed by the Greater Manchester Housing Providers partnership, and is funded by the GMCA.</p> <p>It manages over 40,000 private rented properties across the region.</p> <p>Rents are at, or very close to, the Local Housing Allowance rate and offered to homeless households.</p>
Re-purpose existing stock for TA	Birmingham City Council	<p>In 2018, Birmingham City Council converted an obsolete 1960's tower block, previously scheduled for demolition, into temporary accommodation. The 20-storey tower was converted into 160 units.</p> <p>Birmingham also converted a former care home, Magnolia House, into 55 units of temporary accommodation.</p> <p>The conversion of the former care home and tower block cost the Council a combined £16m (£5m and £11m respectively).</p>

Appendix 4 Financial assumptions

General assumptions: rental income (90% 2011 LHA) ranges from £137pw to £345pw depending on the size and location of the property in TMBC. We have used an average rent of £141.59pw for modelling 1-bed units and £246.75 for 3-beds.

Option 1a – New build

Total build cost of £224k (including 10% on-costs) for 1-beds and £386k for 3-beds. It is assumed that 3-beds are more likely to be houses, not flats. Social housing grant at rates of 30% could reduce this cost to £157k and £270k respectively.

Option 1b – Modular units

The cost information was provided confidentially by the modular unit supplier. The indicative cost including installation ranges from under £100k/unit to nearly £160k/unit, but this cost would depend on the site. The modelling includes an additional 5% on-costs for costs such as planning, building control, landscaping, etc, plus £2,500–£3,500 per unit for a resident's starter pack including additional necessary furniture or items not already included in the unit.

Option 1c – Shipping container units

Shipping containers suitable for use as accommodation can be acquired for £40k–£65k depending on size (including some internal fit out). The modelling includes an additional 10% on-costs for costs such as planning, building control, landscaping and some basic furniture and white goods to the extent not already included in the unit, Installation and connection costs of £40k/unit have been assumed but this figure would depend on the site. We have modelled a 40-unit development – it is likely that there would be some economies of scale in site connection costs so much smaller scale schemes (e.g. 3–5 units) may be expected to have higher per unit installation costs, other things being equal.

Option 2a – Purchase of existing properties

The average lower quartile house price across TMBC ranged from £157k to £275k for 1-beds and £320k to £485k for 3-beds. We used averages of £208k and £383k respectively. 90% 2011 LHA rents across different parts of the borough also varied widely, so yields on cheaper properties were not necessarily higher than those on more expensive ones. Acquisition costs included SDLT including the additional property rate, on-costs of 3% (legal and professional fees), plus £12k–£20k works to bring the properties to a suitable standard for letting (re-decoration, bringing the electrical installation up to current standards, making some improvements to thermal performance e.g. loft/cavity wall insulation).

Option 2b – Conversion of offices

For modelling we used BCIS residential conversion costs per sqm. We assumed a 1-bed flat of 50sqm and a 3-bed flat of 86sqm (net internal area) plus 20% for communal/circulation space in the building. The average BCIS median costs averaged £1,616/sqm but average upper quartile costs ranged from £1,963/sqm to £3,646/sqm depending on the numbers of storeys in the building (and the cost did not appear to be correlated with height). We allowed 10% on costs for legal, professional and design costs.

Option 3a – Private Sector Leasing

Average lower quartile market rents across TBMC are assumed to be £850pcm for 1-beds and £1,358pcm for 2-beds. This reflects a 5% uplift on ONS figures for 2022/23. A discount to market rent of 5% is then assumed since the landlords benefit from a guaranteed rent. Management and maintenance costs are assumed to be 40% lower than in the ownership models, as the landlord retains some repairs responsibility.

Option 3b – Nightly Paid Accommodation

The average nightly cost of accommodation (excluding Clarion) is £47.95, which equates to £335.65pw. This compares with an average nightly rental income of £23.63, or £165.43pw. This gives an average £170.22pw (£8,851 pa) gap between rent in and rent out for each property, to which is added the cost of TMBC management and maintenance (those costs borne by TMBC rather than the landlord, as with option 3a).

Option 4b – Social Lettings Agency

Landlords receive current LHA rent levels under this option. The average LHA rent across TMBC is £189.10pw for 1-beds (ranging from £172 to £207 across the borough) and £254.07pw for 3 beds (ranging from £196 to £345).

Option 5a – Repurposing sheltered housing stock

We assume a gross 1-bed rental income of £141.59pw, which gives a net rental income of c.£135 per unit after voids, bad debts, management and maintenance costs. We assume full management and maintenance costs, including major repairs, although this would be negotiable. This equates to £3,333 per unit per year. From the net rental income we assume that TMBC could pay up to £55 per unit per week in rent and remain in at least a break-even position. We assume a one-off minor works cost of £6,500 per unit (internal redecoration, some limited furniture and white goods).

For context, a lease rental of £55pw would represent approximately half the weekly formula rent for a Clarion unit of Supported or Older People's Housing (based on historic housing association Statistical Data Return information). Depending on the RP's previous operating margin on its sheltered housing stock, any level of rental income that was no worse than its current operating position should in theory be acceptable, which may mean a lower rent payment could be negotiated which recouped the cost of the minor works to the properties.

Appendix 5 Modular Option – Outline Implementation Plan

No.	Action	Cost Est.
1.	<p>The Council identify potential sites within the borough for modular development. Considerations for sites need to include:</p> <ul style="list-style-type: none"> - Suitability for client group(s) - Proximity to amenities - Proximity to existing support services - Development suitability e.g. ground conditions etc - Planning policy considerations and likelihood of achieving a planning permission 	Nil (existing TMBC resources)
2.	The Council identify capital available for development and grants available from Homes England to take option forward. If required, the Council should also begin exploring alternative finance options.	Nil (existing TMBC resources)
3.	Undertake a desktop ground investigation on preferred site/s to understand potential suitability of the preferred sites for development of new homes.	£1,000 per site
4.	Engage in early discussions with potential modular developers as soon as possible after the site/s have been identified. Discussions will need to explore the type of modular home, the potential location(s) for development and the Council's wider aspirations for this programme.	Nil (existing TMBC resources)
5.	<p>Commission an employer's agent to undertake a two-phase approach:</p> <ol style="list-style-type: none"> 1) Employer's agent will need to work with the modular builders to understand their development model and likely additional costs (beyond the modular build) such as foundations, groundworks, external works etc. 2) Once due diligence is in hand, the employer's agent will work up site specific development costs. 	£5,000-£10,000 depending on scope.
6.	TMBC's legal team undertake legal searches and perform basic due diligence checks on the developer, finances, site etc.	Nil (existing TMBC resources)
7.	Consult with Council's planning team to outline the proposed approach to development of new homes.	Nil (existing TMBC resources)

