

### **Building Financial Sustainability: Strategic Decisions for Financial Recovery in Temporary Accommodation**

Brighton & Hove is facing a deepening homelessness crisis, with rising numbers of people experiencing homelessness, increasing levels of support need, and escalating financial pressures on the local authority.

According to Shelter's 2024 analysis, approximately 1 in every 77 residents in the city is homeless - a total of 3,580 people, or 1.3% of the population. Of these 3,528 people, 52 were experiencing rough sleeping. Further, the scale of child homelessness is particularly stark, with 1,411 children estimated to be homeless - nearly 40% of the total homeless population.

The city is also seeing a rise in the complexity of support needs among those experiencing homelessness, in particular single adults. In 2024, 35% of those owed a homelessness duty had mental health needs, 22% had physical ill health or disability, and 12% had drug dependency needs. A recent audit identified 704 individuals experiencing homelessness (between January and June 2025) had two or more compounding needs, such as substance misuse, mental health issues, domestic abuse, or a history of offending.

Brighton & Hove's use of TA is increasing, with 1,928 households placed in such accommodation at the end of 2024. This includes a growing number of single adults, who made up 22% of all households in TA - a proportion significantly higher than the national average and reflective of the city's unique demographic and housing pressures as well as the unique pull factors related to being a vibrant coastal city at the end of the train line.

The financial cost of temporary accommodation (TA) is substantial, with the council allocating £28 million for its provision in 2025/26. However, this budget is likely to be exceeded due to rising demand and increased reliance on spot-purchased accommodation, which has grown from 114 units in 2022 to 379 units in 2024. These placements - often in hotels or B&Bs and referred to as Interim Accommodation - are typically more expensive and less suitable for long-term housing.

Households contribute towards rent at rates fixed to the 2011 Local Housing Allowance for TA, with Housing Benefit covering this cost for most. The council frequently absorbs the remaining costs, adding financial pressure and highlighting the broader affordability challenges faced by households experiencing homelessness in the city.

Beyond the financial impact, there are significant human costs associated with temporary accommodation, including lower educational attainment, poorer health outcomes, and the impact on organisational resources. Reducing reliance on TA would not only ease budget pressures but also enable the council to enhance welfare and support services for those experiencing homelessness.

Additional costs also arise from block bookings and other forms of rapid-response accommodation. These arrangements often require the council to cover void periods and

undertake remedial work, particularly when supporting households with complex needs. These hidden costs are typically met from the council's General Fund.

Investing in stable, long-term accommodation could help mitigate these pressures. It may reduce legal challenges by enabling quicker access to suitable housing and improve outcomes for residents. While not the largest budget pressure, it remains a significant and visible one.

Compounding these challenges is the uncertainty surrounding future government funding. The Homelessness Prevention Grant (HPG), which provided £10.9 million to Brighton & Hove in 2025/26, is under review. Proposed changes to the funding formula could result in a significant reduction (initial estimates of around 45%) in the city's allocation, alongside restrictions that would limit the proportion of the grant that can be spent on temporary accommodation. This poses a significant risk to the council's ability to meet statutory duties and maintain essential services, particularly at a time when demand is rising and the cost of homelessness is escalating.

This trajectory is unsustainable, and the council is now considering bold, strategic action to address the issue.

As a learning organisation, Brighton & Hove City Council has drawn on national best practice, with officers reviewing successful interventions implemented by other local authorities including Bristol, Kingston, Redbridge, and Haringey. These councils have demonstrated that targeted changes to tenure models, leasing arrangements, and housing delivery mechanisms can unlock substantial savings while improving outcomes for residents.

In line with the Council Plan, priorities in the *Homes for Everyone: Housing Strategy 2024 to 2029*, and in parallel with the development of the council's new Homelessness & Rough Sleeping Strategy (2025–2030), a suite of strategic decisions is being considered to reshape the city's approach to temporary accommodation and establish long-term financial sustainability. These considerations include:

- **Restructuring Temporary Accommodation Rents:** Enabling greater cost recovery through enhanced housing benefit.
- **Adopting a rent policy for temporary accommodation:** Introducing a consistent and fair rent framework for TA placements.
- **Negotiating 10-year leases for leased-temporary accommodation:** Engaging landlords to move away from short-term arrangements, improving stability and financial viability.
- **Increasing supply of council-owned Temporary Accommodation:** Strategically investing in a planned programme of property acquisition to reduce reliance on the private rental market.
- **Increasing priority for social housing for homeless households:** prioritising homelessness within the Council's allocation policy to enable movement through Temporary Accommodation, with a focus on families.

- **Exploring the use of exempt or supported housing:** Partnering with registered providers to deliver supported housing models that enable better care and greater housing benefit recovery.

### **Restructuring Temporary Accommodation Rents**

The council is considering restructure rents for temporary accommodation (TA) by aligning them with the 2024 Local Housing Allowance (LHA) rates. This change could apply to both council-owned and long-term leased TA units, replacing the current complex rent and service charge arrangements with a simplified, transparent framework. The new structure would be designed to maximise income recovery through Housing Benefit and Universal Credit, reduce subsidy loss, and ensure rents remain affordable and compliant with national regulations. A report with the outcome of these considerations will come to a future Cabinet meeting with recommendations about restructuring.

### **Introducing a Rent Charging Policy for Temporary Accommodation**

To support the possible restructuring of rents, the council may develop a formal rent charging policy that sets out clear and consistent rent levels across different types of TA provision. This policy would ensure households pay fair and affordable rents aligned with benefit entitlements, while also supporting residents to become “ready to rent” as they transition out of homelessness. It would also strengthen the council’s ability to recover costs and manage TA more sustainably. This proposal would form part of the aforementioned future Cabinet report

### **Executing Longer-Term Leases for Temporary Accommodation**

The council is exploring the introduction of longer-term lease agreements - typically 10 years or more—with private landlords to secure additional TA units. Inspired by Birmingham City Council’s recent adoption of a 10-year lease model for nearly 1,000 properties, this approach offers greater financial stability, improved housing quality, and enhanced subsidy recovery. The council will consider converting existing leases to longer terms and executing new leases under this model.

### **Increasing the Supply of Council-Owned Temporary Accommodation**

To reduce reliance on high-cost, lower-quality options such as spot-purchased hotel and B&B placements, the council is expanding its stock of council-owned TA. This includes acquiring additional properties through capital investment and repurposing existing housing stock. These actions are aligned with the council’s housing strategy, *Homes for Everyone*, which commits to increasing the supply of affordable and social housing and reducing the number of households in temporary accommodation. This action is set out in the cabinet report ‘*Housing Supply and Asset Management Plan*’

### **Increasing priority for social housing for homeless households**

While households experiencing homelessness already receive “reasonable preference” under the council’s Housing Allocations Policy, limited supply and high demand mean many - particularly families - spend extended periods in temporary accommodation (TA).

For some, TA can offer stability, especially when they are unlikely to be moved and can form an attachment to the property, allowing them to put down roots. The issue is not necessarily TA itself, but rather the nature of certain arrangements such as block bookings - where accommodation is provided on nightly licences. These often lack the sense of ownership and security that comes with a formal tenancy, leaving households uncertain about their future and less able to engage with their surroundings.

TA with a formal tenancy agreement offers a significant advantage: residents have a protected right to remain, which fosters stability and a stronger sense of home.

To address this, the council is considering a strategic use of Direct Offers of social housing to families in TA. These offers, made outside the Choice Based Lettings system, would enable quicker access to settled homes and avoid the associated human cost of temporary housing. The Housing Allocations Policy permits Direct Offers to support the council's strategic aims, which are intentionally undefined within the allocation policy to allow flexibility over time.

The emerging Homelessness & Rough Sleeping Strategy (2025–2030) highlights the increasing number of children experiencing homelessness (e.g., living in unsettled accommodation such as TA). National research is beginning to show the long-term developmental impacts of prolonged stays in TA, which is often unsuitable and costly, particularly family accommodation.

This suggestion is not without its challenges. It may result in households being prioritised out of less suitable temporary accommodation - particularly where nightly licensed placements are perceived to have a negative psychological impact. There may need to be consideration of varying percentage allocations to ensure fairness and effectiveness.

While this approach could lead to a short-term reduction in budget pressures - given that properties would be quickly utilised - it is equally important to recognise the broader context. Both nationally and locally, communities are facing heightened challenges, with the lasting impacts of COVID-19 and the cost-of-living crisis continuing to affect residents.

Supporting households to move through a structured process into suitable, affordable housing could help alleviate pressure on families in crisis. If any budget becomes available, it presents an opportunity to enhance welfare and support services for all those in temporary accommodation.

Cabinet is therefore being asked to approve a set of Strategic Aims to guide officers in applying Direct Offers in line with the Housing Allocations Policy. The proposed aim is to reduce the number of households with dependent children living in spot-purchased and block-booked accommodation, which is typically the most expensive and least appropriate for children.

Officers will apply the following prioritisation criteria using a weighting principle, particularly where two or more eligibility factors are present, when determining suitability for a Direct Offer:

- Households with dependent children in spot-purchased or block-booked accommodation:
  - Assessed as unsuitable for longer-term stay and prioritised for transfer
  - Made homeless due to domestic violence or abuse
  - Located outside Brighton & Hove and assigned 'Band A' under the Temporary Accommodation Allocation Policy to return to the city
  - Including a neurodiverse child (diagnosed by a qualified practitioner) or a child with Special Educational Needs (SEN) or other significant educational pressure.
  - Living in spot-purchase and/or block booked TA for more than 6 months
  - Living in spot-purchase and/or block booked TA for more than 3 months
  - Located outside Brighton & Hove and including a parent/carers who is a key worker employed in the city
  - A history of poor and substandard accommodation in the private sector (this will often be low income families)

These strategic aims and the application of Direct Offers would be in effect until 31 March 2026, with the effectiveness and impact reviewed in January 2026.

Subject to further consideration, we may be able to apply this model to other high-needs groups, such as care leavers, families with adult dependents, or individuals with significant mental health challenges. For this approach to succeed, however, it is essential to assess whether these households are tenancy ready.

Tenancy readiness refers to a household's ability to manage and sustain a tenancy independently and responsibly. This includes having the practical skills to maintain a home - such as budgeting, paying rent on time, and managing household tasks - as well as understanding tenancy rights and responsibilities. It also involves the capacity to engage with support services when needed and to maintain positive relationships within the community. Ensuring households are tenancy ready helps reduce the risk of tenancy breakdown and supports long-term housing stability.

### **Exploring Exempt and Supported Housing Models**

Recognising the growing number of single adults with support needs in TA with support needs, the council will explore the use of exempt accommodation models. These housing models provide care, support, or supervision and allow for higher levels of Housing Benefit recovery. This approach will enable the council to meet complex needs more effectively while reducing the overall cost of TA provision.

### **Recommendations**

Given the council's current financial position, Cabinet is being asked to note these strategic proposals in development and delegate authority to the Corporate Director of Homes & Adult Social Care to start implementing some associated policies, as set out below. This approach is intended to safeguard the long-term financial sustainability of the council and its services.

It is therefore recommended that:

- Cabinet notes the strategic decisions being considered to reshape the city's approach to temporary accommodation and establish long-term financial sustainability and that reports outlining these proposals in detail will be presented to Cabinet for consideration at a future date.
- Cabinet agrees to extend existing and future lease arrangements for Temporary Accommodation to at least 10 years and 1 day where appropriate, and delegate authority to Corporate Director – Homes & Adult Social Care, in consultation with the lead member for Housing, to implement.
- Cabinet agrees the set of Strategic Aims in Appendix 9 for the purpose of Direct Offers, in effect until 31 March 2026 and reviewed in January 2026.