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# Temporary Accommodation in London: Local Authorities under Pressure

*Julie Rugg*

February 2016

A report prepared for London Councils



THE UNIVERSITY *of York*

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London Councils has commissioned the University of York to undertake an independent piece of research looking at the temporary accommodation market in London, specifically highlighting the costs involved in providing temporary accommodation to homeless households. The structure and final conclusions of the report – and any errors or omissions – are the author's.

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## **Executive summary**

### **Principal findings**

This research describes the policy and market context for the provision of temporary accommodation in London, and boroughs' difficulties in securing accommodation to house homeless households.

The likely cost of temporary accommodation across London in 2014/15 was close to £663m. The level of expenditure met by London boroughs specifically from their own General Funds can be estimated at just over one quarter of that cost, or £170m.

### **Introduction**

Local authorities have a statutory duty to provide accommodation for homeless households that have been defined as being in priority need and unintentionally homeless, and are obliged to secure temporary accommodation (TA) for that household as an interim measure whilst a longer-term alternative becomes available. This obligation places the local authority in an increasingly difficult position where the supply of property suitable for use as TA has become restricted and exceeds the level of demand.

Demand for TA in London constitutes a major proportion of TA overall in England. Traditionally, TA subsidy has operated through the housing benefit system but London boroughs are now reporting substantial shortfalls between the subsidy provided and the actual cost of meeting TA need.

The London housing market constitutes a challenging environment in which to deliver TA services. Growth in the number of households has not been matched by a similar growth in property supply. The supply of affordable housing remains an issue despite increases in the provision of social housing across the capital. Demand for PRS property has intensified, and at the 2011 Census, the sector comprised the second largest tenure after home ownership. Rents have increased in London faster than in any other English region. Between Q2, 2011 and Q 1, 2015, rents in the lowest quartile rose by around 39 per cent in Inner, and 32 per cent in Outer London.

A raft of changes to welfare provision, implemented from 2013, has reduced the degree of support available to households reliant on housing benefit to pay some or

all of the rent. Changes that have had a substantive impact on TA included the benefit cap, which restricts the overall rent a household can receive; and a restriction in benefit uprating which has materially affected the value of the Local Housing Allowance (LHA) compared with local market rents. Funding for Discretionary Housing Payments (DHPs) has increased.

In London, there was a 77 per cent increase in homelessness acceptances between 2010 and 2014, reversing a decline that had been in evidence since 2005. The ending of an assured shorthold tenancy has become the principal reason for homelessness presentations. Anecdotally, TA officers report that landlords are ending tenancies in order to re-let at higher rents.

The Coalition Government commitment to reduce the use of TA by 2010 was successful: the number of households in TA dropped by 50 per cent between 2005 and 2010. However, since 2011 the use of TA has re-commenced an upward trajectory. In Q1, 2015, the TA figure was 60 per cent higher than in Q4, 2010.

This research aims to evidence the cost of TA across London boroughs, with the specific objective of isolating the degree of expenditure that is not met through central government subsidy. The research has included focus group work with London borough TA and finance officers in order to devise a robust costing spreadsheet, which was circulated to boroughs for completion. Telephone interviews also took place with TA officers in order to gain a qualitative understanding of the nature of TA demand and service delivery at a borough level.

## **Temporary accommodation policy development**

A number of policy developments have increased the reliance of local authorities on the PRS to meet demand for housing from low-income households. Temporary accommodation constitutes a specific niche market within the PRS, and is driven by a set of practices outside the frameworks that are standard in other parts of the sector. The increased reliance on the PRS to meet TA need has followed limitations in the ability to access social housing stock and a withdrawal of registered providers from the sector.

At the same time, the Localism Act has introduced the option for local authorities to discharge their duty to homeless households through the offer of a 12-month

tenancy in the PRS. Both these measures have escalated demand from London boroughs for property in the PRS.

There is a complex policy framework underpinning the delivery of TA, reflecting a gradual layering of initiatives and regulations. Local authorities have an obligation to accommodate households that are in priority need, in the first instance in temporary accommodation until more suitable settled housing can be secured. Following steep increases in the proportion and number of families in bed and breakfast (B&B) hotels, in 2003 the Government introduced regulation restricting any B&B placement to a maximum of six weeks.

TA is financed through subsidy from central government via the housing benefit system. Housing benefit support for TA households contains two elements: an LHA element directed towards payment of the rent; and a 'housing management' element which is intended to support local authorities' management of that TA tenancy. The LHA element has been capped at 90 per cent of the LHA at the 2011 rate. The current housing management element is £40 per week in London compared with £60 outside London although the November 2015 Spending Review announced changes to this element of TA subsidy.

The nature of procurement of property to meet TA need underwent substantive change in 2013. In August of that year, the Government introduced new funding to support a reduction in the number of households in B&Bs. Local authority demand for emergency TA escalated, and in response the TA market increased the supply of 'nightly rates' accommodation. This accommodation was made available on a nightly-use basis, rather than leased by boroughs over longer time periods. A nightly rates arrangement was more lucrative to the supplier and, since that time, there has been substantial growth in this component of the TA market.

Development of the nightly rates market enhanced competition for property and the incidence of widely divergent rents for similar properties. Attempts to contain costs in the nightly rates market led London boroughs to establish an agreement around the nightly rates payable. This measure has reported some degree of success in slowing the upward trajectory of costs. However, not contravening the agreement remains challenging for local authorities and, anecdotally, there has been an increase in the short-term emergency use of B&Bs as a consequence of an inability to find accommodation at the agreed nightly rate.

The incidence of out of borough (OOB) placements reflects increasing pressure in the TA market across London. The situation is being monitored by borough officers as part of an Inter-Borough Accommodation Agreement, implemented from April, 2011. It is not the purpose of this report to examine the practice of placing households outside their home borough. The recent Supreme Court judgement on *Nzolameso vs City of Westminster* intensified pressure on London boroughs to produce substantial evidence to support a decision to place out-of-borough, and is likely to increase the resources required by boroughs to source and make placements in OOB accommodation.

### **The current TA market: demand and supply**

There has been an overall increase in demand for TA across London. The research has aimed to integrate the number of households seeking accommodation and the length of tenancies over a financial year. Boroughs were therefore asked to provide the number of weeks of TA they had purchased over the last three financial years. The sixteen boroughs providing this data had between them purchased the equivalent of 983,716 weeks in 2014-15 compared with 766,471 in 2012-13. This represents an increase of 28 per cent, and is a more accurate indicator of demand increase than the number of households alone, which grew by 14 per cent in the same period.

It is notable that the returning boroughs did not provide strong evidence of an increase in the use of larger, 4+ bedroom units. The use of larger units varied substantially across boroughs, and in the majority of cases comprised between five and ten per cent of demand.

There has been a change in the nature of property supply: a fall in the proportion of lettings leased from the private sector by local authorities directly or via a housing association has been matched by a concomitant increase in the 'other private sector' category which generally encompasses nightly rates lettings. Data from sixteen boroughs indicates that between 2012-13 and 2014-15 there was a ten per cent increase in the number of placement weeks, but a 117 per cent increase in the number of placement nights.

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## Costing the use of temporary accommodation

The costing method for this research was arrived at following focus group meetings with TA officers and London borough finance officers. The objective of the exercise was to collect data sufficiently detailed to be able to distinguish both income and expenditure, and be clear about what elements were included within the calculation. More specifically, the exercise was also designed so that it was possible to distinguish expenditure on 'nightly rates' accommodation; to establish how far management costs had been offset by the management fee within the TA subsidy; whether the use of large units had increased over time; and to create a time series. Twenty boroughs returned data covering the three financial years 2012-13 to 2014-15.

Key findings from conducting the costing exercise included information on the limited use of local authorities' own property within the Housing Revenue Account, but some disagreement as to whether that use of that property constituted a nil cost to the local authority; under-reporting on hostel use, comparing returns with data from the PIE data indicating that, overall, costs have been under-estimated; and definition of incentive payments could be problematic, as in some instances 'incentives' constituted a degree of advanced payment of rent in order to secure longer tenancies at a lower rent. It is likely that there has been some under-reporting of one-off incentive payments.

Returning boroughs were generally unable to disaggregate the £40 management element of the TA subsidy. Anecdotally, TA officers reported that this fee was largely absorbed by the shortfall between the rent asked by the TA provider and the lower LHA subsidy available for TA property.

Discretionary Housing Payments (DHPs) did not constitute a major source of funding to meet TA costs although some boroughs were not able to disaggregate this source of income. Application for DHPs is discretionary for London boroughs, and not all boroughs chose to allocate their DHP spending to meeting TA demand. On average, for the fourteen boroughs able to disaggregate their DHP contribution, that income met less than two per cent of the total cost.

Tenant contribution to meeting TA costs varied substantially, and in one instance met over one fifth of the TA cost. The level of tenant contribution reflects the number of tenants in TA who are still in work.

Overall, the gross cost of TA from the twenty returning boroughs reached £463.7m in 2014-15, increasing from £349.6m in 2012-13. Boroughs were meeting just over one quarter of that cost from their General Fund. Using this data to model costs across all London boroughs, it is possible to estimate that costs of TA reached £663m in 2014/15. The contribution from London boroughs General Funds can be estimated at £170.4m. Note that these figures are likely to be under-estimates.

### **Delivering TA: borough officers' views**

It was evident from telephone interviews with TA officers that local delivery of TA services varied substantially, with borough-specific factors including local tenure mix; local economics inflating or suppressing property prices; and the decisions made at local authority committee level on priorities with regard to, for example, use of B&Bs or the emphasis given to homeless prevention compared to alleviation.

All the respondents commented that their TA portfolios had changed substantially, and some reported major losses in property through the termination of leasing arrangements. The nightly rates market was evidently highly pressurised, and boroughs reported difficulties in negotiating supply when the LHA rate for TA fell substantially below the usual LHA rate which in itself fell a long way below local market rates.

Officers viewed the freezing of the LHA rate as having a more substantive impact on their service delivery than changes to the benefit cap: freezing the LHA rate affected every household requiring TA, and had a material impact on the ability of the borough to negotiate in the market. DHPs were not regarded as a long-term solution to TA difficulties.

It was evident that TA officers felt that they had little control of the TA market. The introduction of the nightly rates agreement was felt to be successful, but was testing boroughs' nerve in meeting emergency need. In some instances, boroughs were using budget hotel chains in emergency situations in preference to taking nightly rates above the agreed level.

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## Conclusion and recommendations

This exercise indicates that there is evidence of substantial under-estimation of the cost of temporary accommodation to London boroughs. This cost is largely hidden, as TA expenditure is spread across a number of budget headings. Irrespective of the degree of that expenditure being met by London councils, the research provokes questions on the value for money represented by TA costs in London which were in excess of £663m in 2014/15.

Changes in welfare provision have undermined the level of support to low-income households in the private rented sector at exactly the same time as homelessness legislation seeks to place more households in that sector. Affordability issues extend across the capital. Seeking a solution in out-of-borough placements carries the unintended consequence of destabilisation at the bottom end of the market in those locations.

The TA market is sophisticated in its responses to policy intervention, as evidenced in the development of nightly rates lettings. Unlike the vast majority of the PRS, which contains multiple landlords and letting agents pursuing varied markets and agendas, the TA market is entirely fixed on making the best possible deal and suppliers are well aware of the pressures boroughs are under to meet need in acute emergency situations. The TA market actively provokes competition for property between London boroughs to push up rents.

The report makes a number of recommendations:

- Central Government needs to acknowledge the substantial shortfall that now exists between support for TA available through the housing benefit system and the actual cost of service delivery. A reduction in the level of LHA has not led to a reduction in rental costs in this part of the market. More sophisticated interventions are required at central Government level in order to reduce cost pressures on London boroughs.
- London boroughs have created strong precedents for cross-borough co-operation, and it may be appropriate to consider the establishment of a simplified costing framework capable of collecting annual expenditure with a higher level of transparency and robustness.

- An exemption from the Benefit Cap, as called for by agencies including London Councils and Shelter, would reduce costs for London boroughs, but only affects a minority of households in TA. A higher priority is to address the restricted level of LHA subsidy, which affects all households in TA. The statement made on TA in the Spending Review signals change in the administration of the management fee, but does not mention an increase in the overall level of LHA payable on TA tenancies.
- It may be that a single unified system of procurement for local authorities making use of the PRS for preventing or alleviating homelessness or for TA use, and using the standard LHA rate, would remove competition within and between boroughs for lower-cost PRS property.
- DHPs constitute a valuable but minor contribution to meeting the costs of TA. However, an increase in funding for DHPs cannot automatically be interpreted as a solution to meeting the costs of TA. There is substantial pressure on DHPs to meet housing benefit shortfalls across both the private and public rental sectors, and London boroughs may not prioritise TA in allocating that expenditure. At their current level of funding, DHPs are not resolving the challenges brought by overall reductions in the level of LHA.
- The Spending Review has signalled an intention to de-couple the management element of the TA subsidy from the LHA payment. London Boroughs have been reliant on the management element to offset the shortfalls between the lower level of LHA support for TA and rents in the PRS. Any changes to the TA system as it currently operates needs careful consideration of their likely impact on the TA market, and on boroughs' ability to negotiate that market.
- It is evident that close working between boroughs can lead to effective management of the TA market. This market is highly responsive, and so thorough consultation across all boroughs should take place before new initiatives are introduced that are likely to carry a cross-London impact.
- London boroughs should be allowed wider freedoms to pursue innovative solutions in the creation of accommodation specifically for use as TA. Boroughs are already exploring alternative funding frameworks, which should be given some degree of Central Government support as measures to contain TA expenditure.

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- Similarly, boroughs should undertake a thorough and open review of their incentive practices, in line with recent developments on nightly rate setting.
  - The DCLG should undertake a close review of procurement of privately rented property by London boroughs for PRSOs. A commitment to ensuring long-term sustainability of those tenancies would reduce the incidence of homelessness as a consequence of the ending of an assured shorthold tenancy in the PRS.
  - Housing associations have withdrawn from the TA market, reportedly as a consequence of a drop in the level of TA subsidy to support management costs. Long-term lettings at the lower end of the PRS often require 'social' management mediation to offset the risks that private landlords feel are integral to the housing benefit market. A return by housing associations to the TA market could bring stability and price deflation.

# 1. Introduction

## Introduction

The provision of temporary accommodation (TA) by local authorities is an essential component of homelessness policy, and was originally intended as a means of dealing with acute housing need for households that had lost their accommodation and had no immediate prospect of securing a place to stay. Demand for TA in London dominates provision across England, and is increasing. Traditionally, the use of TA has been supported through specific subsidy from the Department for Work and Pensions (DWP), via the housing benefit system. London boroughs are now reporting that this subsidy is insufficient to meet the costs. Furthermore, these costs have spiralled as a consequence of the interplay of changes in the London housing market; changes in welfare provision; and the impact of TA policy itself, including legal judgements and guidance. All these elements have redefined the characteristics of supply to the TA market.

This introductory chapter provides contextual material for increased use of TA across London, reviews changes to the London housing market, and provides an overview of the welfare reforms impacting on local authority delivery of TA services. The chapter then outlines the objectives of the research and explains the methods used.

## Background

### *The London housing market*

The increasing number of TA households in London is a reflection of affordability issues in the capital's pressurised housing market. Between 2001 and 2011, the number of households in London increased by 8.3 per cent, compared with 7.8 per cent across England as a whole. In London, growing demand has not been matched by new property supply. In the last five years, new housing supply has averaged at not more than 25,000 properties a year but growth in household numbers is

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projected to reach 56,000 a year to 2033.<sup>1</sup> The mismatch between demand and supply has exacerbated distinctive characteristics of London's housing market. At the 2011 Census, home ownership comprised less than half of all households, compared with 64 per cent across England as a whole. The private rented sector comprised the second largest tenure, accommodating 26 per cent of households. Increases in the proportion of private renters were in evidence across all London boroughs, but the western boroughs of Inner London contained the highest concentrations with – in some boroughs – up to 42.8 per cent of households living in the sector.<sup>2</sup>

The 2011 Census also indicated that the percentage of renters in local authority and housing association properties had dropped below the percentage of private renters, although the sector's increase appeared largely as a consequence of more substantial falls in the proportion of households in owner occupation.

Demand for social housing tenancies substantially outstrips supply: in 2014 there were more than 250,000 households on waiting lists for social housing across London.<sup>3</sup> According to Future for London, 11 per cent of the capital's households are on social housing waiting lists.<sup>4</sup> The provision of social housing has increased across London in recent years, increasing both the stock of social housing homes but also the flow of new letting opportunities (Chart 1.1). This has, however, been partially undermined by an increase in right-to-buy sales, although it is unlikely that all these sold properties would have been available for new tenants for some time. However, the affordability of new social housing is challenged by the affordable rent policy which permits housing association providers to charge up to 80 per cent of market rents on new homes. These affordable rented homes now constitute the bulk of affordable housing provision in the capital (Chart 1.2).

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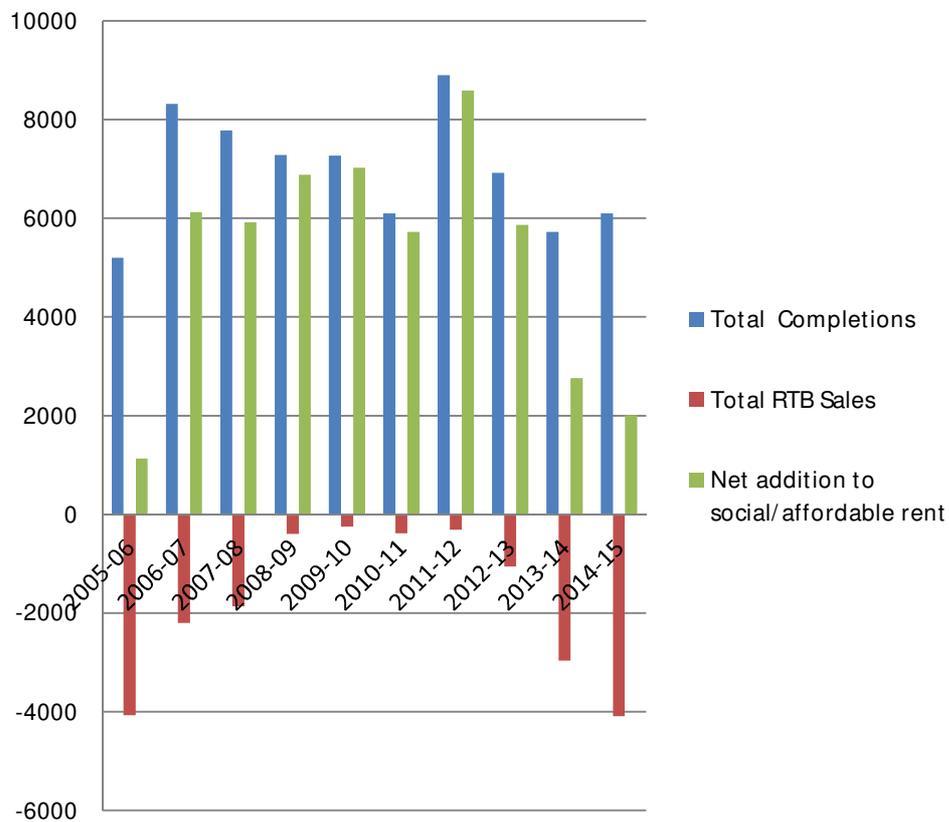
<sup>1</sup> Ben Harrison, Joanna Wilson and Jennifer Johnson (2013) *Changes to Affordable Housing in London and Implications for Delivery*, York: Joseph Rowntree Foundation.

<sup>2</sup> Greater London Authority (2014) *Housing in London*, GLA: London, 12.

<sup>3</sup> <http://data.london.gov.uk/dataset/households-local-authority-waiting-list-borough/resource/dac0e8c2-94af-4c5e-b9b9-ef294bfe3915#>

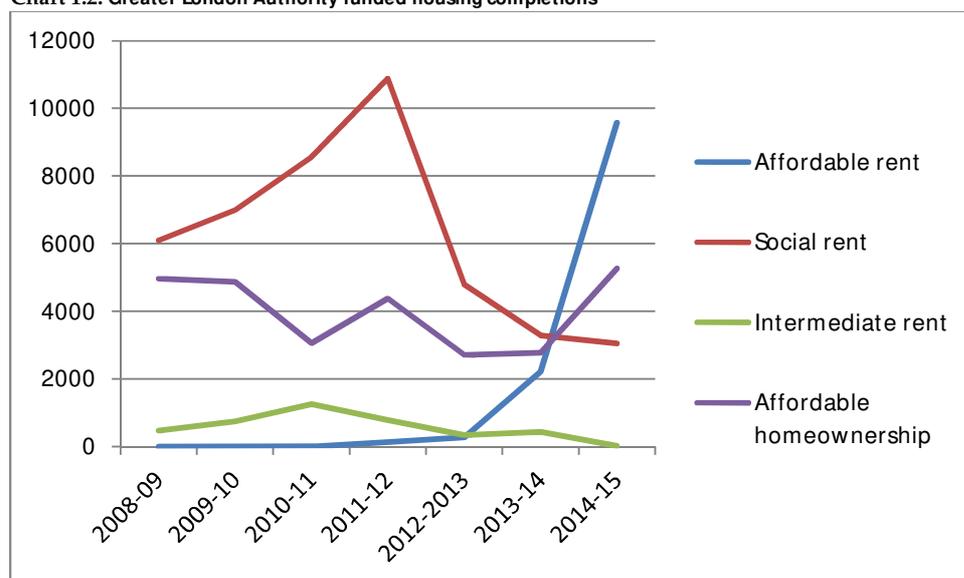
<sup>4</sup> Harrison *et al.*, *Changes to Affordable Housing*, 11.

**Chart 1.1: Social housing completions by tenure for all London boroughs**



Source: DCLG Live Table 253 (Social housing comprises local authority and housing association new builds for rent) and DGLC Live Table 685.

Chart 1.2: Greater London Authority funded housing completions



Source: Table 1 GLA Affordable housing statistics

For example, in Redbridge in the year 2014, an average social rent charged by the larger housing associations was £125 compared with an average £144 for an affordable rent: a 15 per cent difference. In Kensington and Chelsea, affordable rents were 80 per cent higher, at an average of £212 per week compared with an £118 per week average for social rent.<sup>5</sup>

Limits in the supply of social housing have intensified demand for property at the lower end of the private rented sector, at a time when private, market rents are rapidly increasing. Data from the Greater London Authority, derived from the Valuation Office, indicate that, at the bottom end of the sector, rents have risen by around 39 per cent in Inner, and 32 per cent in Outer London (Table 1.1). These increases have been substantially higher than any other region in England. In 2012 there were an estimated 830,000 people living in poverty in the PRS, a higher number than in social housing.<sup>6</sup>

<sup>5</sup> HCA Statistical Data Return, 2014

<sup>6</sup> Greater London Authority (2014) *Housing in London*, GLA: London, 62.

<b>Region/sub-region</b>	<b>12 months to Q2,2011 (£pcm)</b>	<b>12 months to Q1,2015 (£pcm)</b>
North East	395	400
North West	400	425
Yorkshire and Humber	385	400
East Midlands	400	425
West Midlands	425	450
Eastern	480	545
Greater London	758	1,050
Inner London	888	1,235
Outer London	700	925
South East	565	625
South West	485	535
England	450	475
Source: VOA: <a href="http://data.london.gov.uk/dataset/average-private-rents-borough/resource/73b9fb07-b5bb-4a53-88b7-c17269879a08#">http://data.london.gov.uk/dataset/average-private-rents-borough/resource/73b9fb07-b5bb-4a53-88b7-c17269879a08#</a>		
VOA note on rents data: The sample used to produce these statistics is not statistical and may not be consistent over time, as such these data should not be compared across time periods or between areas.		

### *Changes in welfare provision*

Between 2009 and 2012 there was an increase by 15.2 per cent in the number of households in receipt of housing benefit in all rented tenures in London (see Table 1.2). Lower-income tenants in the private rented sector require a higher level of housing benefit subsidy to meet the costs of a market rent. In 2013, the average weekly housing benefit payment to all social sector tenants was £114.48, and for private tenants, £175.46.<sup>7</sup> Furthermore, there has been a growth in the number of working households in the rented sector in receipt of housing benefit, from 12.4 in 2009 to 22.3 in 2014.<sup>8</sup>

<sup>7</sup> Steve Wilcox and John Perry (2014) *UK Housing Review*, Coventry: CIH, Table 118.

<sup>8</sup> <https://www.gov.uk/government/statistics/housing-benefit-caseload-statistics>

Table 1.2: Housing Benefit caseload, all rented tenures, January 2009 to January 2015		
Year (January)	Greater London	Great Britain
2009	719,898	4,252,251
2010	781,814	4,651,106
2011	817,005	4,833,467
2012	842,082	4,976,217
2013	853,349	5,070,291
2014	846,530	5,001,958
2015	829,312	4,894,992
Source: <a href="https://www.gov.uk/government/statistics/housing-benefit-caseload-statistics">https://www.gov.uk/government/statistics/housing-benefit-caseload-statistics</a>		

A raft of measures within the overall package of welfare reform, introduced in the Welfare Reform Act, 2012, has reduced the degree of support available to households reliant on housing benefit to pay some or all of their rent. The measures include:

*Household Benefit Cap:* the Benefit Cap had a staged introduction from 15 April 2013, with a national rollout completed by September of the same year. The Benefit Cap imposes an upper limit on the amount of benefit any renting household can receive, and comprises £500 per week for households with dependent children and childless couples, and £350 per week for single people. The Benefit Cap is applied first to the housing benefit element of a household’s income. Note that from April 2016, this cap will be further reduced from £26,000 to £23,000 in London and £20,000 to households in the rest of the country. For London households, the cap equates to £442 a week for households with children and £296 for single person households. Exemptions apply, including households where a partner qualifies for Working Tax Credit; single households or couples where one partner is above Pension Credit age; and households where a member may be in receipt of certain disability benefits.

*Social Rented Sector Size Criteria (‘Bedroom Tax’):* this measure was introduced from 1 April 2013 and restricts the amount of benefit a social rented household may receive if their household is deemed to be over-accommodated. The measure reduces the amount of eligible rent that is used to determine a housing benefit claim: where a household has one additional room, there is a 14 per cent reduction; for two or more rooms, there is a 25 per cent reduction.

Other measures that also carry an impact on households receiving HB include:

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### *Universal Credit (UC)*

This measure also has a staged introduction between 2013 and 2017. UC will integrate a number of benefits into a single payment, paid monthly in arrears and aiming to replicate earned income. UC will include housing benefit, income support and jobseekers' allowance in addition to employment support allowance and working and child tax credits. The housing benefit element of the payment will – in most cases – be made directly to the tenant, who will be responsible for making arrangements to pay the rent.

### *Benefit uprating*

For three years from April 2014, benefits will be uprated by one per cent each year rather than using a formula based on the rate of inflation. In the case of LHA, the uprating is no longer specifically linked to costs in the local rental market.

### *Local Housing Allowance*

A series of changes was made to LHA which is payable to tenants in the PRS. Principal changes from 2011 include resetting the LHA rates to the 30<sup>th</sup> percentile of local market rents; removing the five-bedroom rate; and raising the age at which the Shared Accommodation Rate applies from 25 to 35.

### *Discretionary Housing Payments*

As a means of providing a transitional buffer to households affected by welfare reforms, the government announced an upturn in funding available to local authorities to make Discretionary Housing Payments (DHPs). This funding increased from £20m prior to 2011 to £165 in 2013/14, but fell to £125m in 2015/16.<sup>9</sup> The funding aims to support households with meeting their rent liability but may also be used by local authorities to give financial assistance to households to secure and move into smaller properties.

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<sup>9</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/453392/discretionary-housing-payments-guide-aug-15.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/453392/discretionary-housing-payments-guide-aug-15.pdf)

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## *Changes to Council Tax Benefit*

From April, 2013 the system of assistance with Council Tax payments was devolved to local authorities. Council Tax Benefit was removed and replaced by local Council Tax Reduction schemes. The level of assistance available has been set by individual local authorities, and in the majority of areas it is now the case that tenants in receipt of housing benefit will now be required to make some contribution to their Council Tax bill.

### *Increase in homelessness acceptances*

Taken in combination, recent welfare changes have intensified affordability issues for both private and social sector renters in London. These changes have occurred during a period of decreasing unemployment but an increase in the proportion of lower-paid jobs. In 2015, 21 per cent of people living in London were paid below the London Living Wage.<sup>10</sup> The incidence of poverty is higher for households in the private rented sector compared with other tenures.

There has been a dramatic upswing in homelessness acceptances, reversing a decline that had been in evidence from 2005. Between 2010 and 2014, in England outside London, acceptances grew by 10 per cent. However, in London, there was a 77 per cent increase, from 9,700 acceptances in 2010 to 17,180 in 2014.<sup>11</sup>

The impact of change in the rental market coupled with welfare reform is further reflected in the causes of homelessness as represented in the DCLG Live Tables. The end of an assured shorthold tenancy (AST) for households living in the PRS has become the principal reason for a homelessness presentation. In 2014, this reason underpinned 38 per cent of cases compared with 14 per cent in 2008. In boroughs outside London, the increase – from 15 to 25 per cent – was much less acute. London boroughs report anecdotally that landlords are ending ASTs in order to re-let property at a more competitive rate than is affordable by households reliant on LHA.

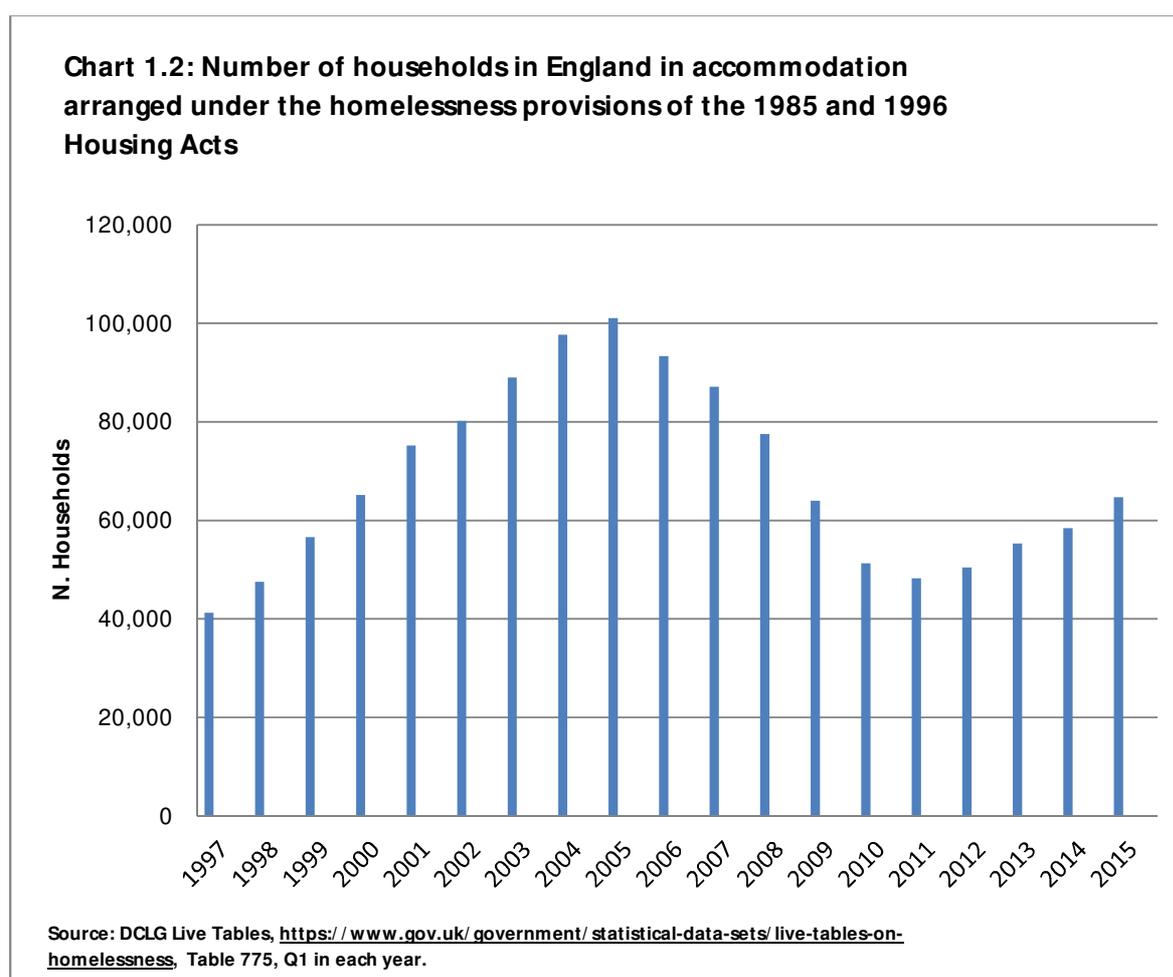
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<sup>10</sup> <http://www.londonpovertyprofile.org.uk/indicators/topics/low-pay/>

<sup>11</sup> DCLG Live Tables, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>, Table 774.

## Temporary accommodation in London

From 1997, the use of TA increased rapidly, year on year, reaching a peak in 2005. The Government committed to reducing the overall population in TA by 50 per cent by 2010. The quarterly TA household accommodation figure dropped to its lowest point in Q4 2010 but since 2011 has re-commenced an upward trajectory (see Chart 1.2). In Q1, 2015, the TA figure was 60 per cent higher than in Q4, 2010.



Use of TA is dominated by demand in London boroughs, which comprises around three quarters of the total. Furthermore, the number of households has increased since 2013 (Table 1.3).

**Table 1.3: Number of households in temporary accommodation, first quarter 2009 to 2015**

Year (first quarter)	Greater London	England	Proportion in GL (%)
2009	47,780	64,000	75
2010	39,030	51,310	76
2011	35,850	48,240	74
2012	36,740	50,430	73
2013	40,230	55,320	73
2014	43,310	58,410	74
2015	48,240	64,710	75

Source: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness#detailed-local-authority-level-responses>  
Tables 775 (Greater London) and 782 (England)

In 2013/14, Revenue Outturn data indicated overall expenditure by London boroughs on homelessness prevention and support – including TA – was £617m.<sup>12</sup> This research arises from general concerns about public expenditure on TA and more specific concern that an increasing proportion of this expenditure is not being met through central subsidy. For local authorities to meet the costs from their own General Fund places pressure on budgets that have been subject to substantial reduction, and constitutes expenditure that is difficult to sustain.

### Research questions

This research aimed to address the following principal tasks:

- evidence the additional costs boroughs are paying, over and above the income received from Central Government;
- identify the cost pressures; and
- quantify how overall costs have changed since the start of Welfare Reform from 2010 onwards.

In addressing these tasks, the research considered the following research questions:

- What are London boroughs spending on TA?
- What is the profile of this spending?

<sup>12</sup> <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2015-to-2016-individual-local-authority-data>. Note that this report uses data collated from the Revenue Outturns by London Councils.

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- What are the financial overspends on TA, beyond the Government's contribution?
  - How has this changed over the past five years?
  - What are the causes of increased spending on TA?
  - What are the causes of any changes in the profile of TA that boroughs are using?

## **Research method**

The research method used to address these questions has included both quantitative and qualitative elements.

### *Focus group with LA respondents*

A focus group took place with eight officers with responsibility for aspects of TA from boroughs across London. The focus group aimed to discuss major cross-London trends in the delivery of TA services, and to inform questions used in a telephone survey of local authorities.

### *Focus group with LA finance officers*

A focus group also took place with eight local authority officers with responsibility for costing elements of TA provision. The focus group discussed problems inherent in existing data on TA, and addressed possible methods that could be used to collate robust financial information on a borough-by-borough basis.

### *Desk review of existing literature*

A desk review was completed of existing literature relating to the provision of TA generally, and reports costing this element of homelessness provision. In addition, a review was completed of all published London borough housing strategies, to access any commentary on TA strategy more generally.

### *Telephone interviews with TA officers*

The research aimed to complete a short telephone interview with officers able to provide an overview of TA provision in their borough. Questions related to the current demographic profile of demand for TA in the borough, any recent change to

that profile and possible reasons for that change; the nature of the current supply of properties used for TA and any change in the portfolio of supply. The interview also asked about the challenges faced by the borough in the management and supply of TA, prompting for any commentary on the impact of changes in welfare provision; change in the London housing market; the operation of the Localism Act and use of Private Rented Sector Offers; and the impact of both the Inter-Borough Accommodation Agreement and use of Dynamic Purchasing Systems to procure TA. Four local authorities chose to submit written responses to the questions in preference to a telephone interview. Interviews were completed with a further thirteen. The interviews each lasted between 15 and 40 minutes, and were recorded with the permission of the respondent. Each interview was analysed using a standard matrix.

#### *Devising and implementing a costing spreadsheet*

A spreadsheet was devised, which initially aimed to capture income and expenditure on TA over the past five years. This aim was later revised to collating information over the past three financial years, in order to ensure a timely response. The spreadsheet was piloted with a small number of boroughs before being circulated more broadly. In total, twenty responses were received. Each response was reviewed in detail; any apparently anomalous data were re-checked with the local authority.

### **Outline of the report**

Chapter two provides a clear explanation of policy development underpinning the current delivery of TA in London. Chapter three draws on local authority officers' views on the current challenges in meeting demand for TA. Chapter four outlines the current demand for TA, and changes in the demographics of that demand, and then discusses changes in TA supply. This data rests in part on TA officer commentary, on returns to the TA spreadsheet and on P1E and Revenue Outturn data. Chapter five discusses existing evidence on the cost of TA to London boroughs, and discusses issues relating to the costing exercise. This chapter also presents findings from the costings exercise. Chapter six concludes with some reflections on TA as a market as it operates in London.

It should be noted that no individual boroughs are identified in report responses to either the financial return or in qualitative reporting. TA activity is both politically and commercially sensitive, and often reliant on inter-borough co-operation. As a consequence, reporting from local authorities will be anonymous, and all financial and numeric data will be reported in aggregate except where disaggregated data are publically available.

## **Conclusion**

London's housing market has been subject to substantial increase in demand which has not been met through commensurate levels of supply, so driving an increase in rent levels. Affordability issues are attached to all forms of renting in the capital, as various welfare reform measures reduce the level of financial assistance available to low-income households. In 2010 there was a reverse in a downwards trajectory of homelessness applications, and a concomitant increase in recourse to TA. This report presents findings from a costing exercise to establish the degree to which local authorities are meeting TA expenditure above the level of central Government subsidy. As will be seen in the following chapters, assumptions and regulations have set parameters for a TA market that is progressively more difficult to control.

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## 2. Temporary Accommodation policy development

### Introduction

This chapter provides an overview of the development of TA policy. Local authorities have a statutory duty to create appropriate temporary arrangements to accommodate a household where a duty has been accepted: demand for accommodation is fixed by this requirement. Leverage in procuring property for TA is very much dependent on the degree of financial resource available.

Changes to the funding for TA has, over time, become aligned to the level of support available under the Local Housing Allowance and has – as a consequence – reduced the level of central Government subsidy. At the same time, homelessness legislation has pointed towards a growing reliance on the PRS to meet housing need, and as a preventive measure to avoid use of bed and breakfast (B&B). These measures have further increased local authority demand for property at the bottom end of the PRS, and have sharpened market responses to procurement initiatives including a supply shift to what has been termed ‘nightly rates’. Across London, local authority initiatives have attempted to control the escalation of costs in the TA market.

### Using the private rented sector to meet low-income housing need

Temporary accommodation constitutes a distinctive sub-market within the private rented sector, evidenced by very specific frameworks for procurement, funding and management practices outside the practices that are standard in other parts of the sector.<sup>13</sup> Meeting need for TA constitutes a broad amalgam of arrangements whereby property is procured from registered providers and/or from within local authority’s own housing stock and either leased or licenced for temporary use to meet acute housing need. These arrangements have often developed over long periods of time, and reflect opportunities and constraints within the localised housing market.

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<sup>13</sup> Julie Rugg and David Rhodes (2008) *The Private Rented Sector: Its Contribution and Potential*, York: Centre for Housing Policy.

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Increasingly limited access to social housing stock and the gradual withdrawal of registered providers from the TA market (see Chapter 4) has meant increased use of the PRS to meet TA need. Using the private rented sector to alleviate housing need has been commonplace since the early 1990s, as third sector projects emerged that facilitated access to private tenancies for single households in non-priority need.<sup>14</sup> Latterly, access schemes have been extended or developed to meet the needs of other households in priority need, and are now in evidence within local authority housing options services. Indeed, the National Practitioner Support Service ‘Gold Standard’ for homelessness services includes the development of a suitable private rented sector offer as one of its ten core objectives for participating local authorities.

The introduction of the Localism Act, 2011 formalised the intention to view the PRS as a key resource in meeting housing need. Under the Act, local authorities were empowered to discharge their duties to households deemed to be statutorily homeless through the offer of a private sector tenancy with a minimum 12-month tenancy. Households may choose whether or not to take this offer, although the duty is discharged irrespective of the decision those households make.

This development constitutes an essential context for understanding change in the TA market, as local authority demand for PRS properties to meet the needs of low-income households has escalated. The ability to discharge duty into the PRS was introduced to give local authorities ‘a degree of flexibility’ in their response to a homelessness duty and ensure that social housing tenancies were allocated equitably.<sup>15</sup> Local authorities have generally welcomed the opportunities provided by an addition to the source of properties available to house homeless households. However, there are indications that increased demand for rental property to meet private rented sector offers (PRSOs) has not – as yet – decreased demand for social housing or reduced pressure on TA. For many households, affordability issues in the PRS mean that social housing remains a preferred option; indeed, recent research on social housing tenants’ preference found that fewer than 10 per cent would consider

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<sup>14</sup> Julie Rugg (1996) *Opening Doors: Helping People on Low Income Secure Private Rented Accommodation*, York: Centre for Housing Policy.

<sup>15</sup> DCLG (2010) ‘Local decisions: a fairer future for social housing: consultation’, DCLG: London, 42.

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seeking a PRS tenancy if they were affected by the social sector size criteria. The cost of private rents was the principal reason given for the preference.<sup>16</sup>

## **Temporary accommodation policy framework**

The development of TA policy sits alongside and – arguably – merges with the policy intent to enable local authorities to use the PRS to meet acute housing need. Under s188 in Part 7 of the 1996 Housing Act, local authorities have a duty to accommodate households where there is a reason to believe they are homeless, whilst further inquiries are made. Where that household is deemed to be unintentionally homeless and in priority need, then TA must continue to be provided until settled accommodation is secured. For households deemed to be intentionally homeless, then TA may be supplied for an interim period, giving the household a ‘reasonable opportunity’ to make alternative arrangements. In 2002, additional refinement was made to the categories of household defined as being in priority need. The Homelessness (Priority Need for Accommodation) (England) Order contained a focus on young care leavers, ex-service personnel and individuals who have been in prison, detention or custody, indicating that these groups should receive priority housing.

Following steep increases in the number of households in TA, the Government announced specific initiatives to contain the number of homeless households in certain types of temporary accommodation. The Homelessness (Suitability of Accommodation) (England) Order, 2003 provided that households containing children, or where a household member was pregnant, should only be placed in B&B accommodation in an emergency, and then only for a maximum period of six weeks.

## **Financing TA**

Financial support for TA is provided by central government through two routes: via the housing benefit system, and through grant directed at homelessness services.

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<sup>16</sup> David Rhodes (2014) *Report of a Telephone Survey with g15 Tenants*, York: Centre for Housing Policy.

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## *Housing benefit subsidy*

Specific regulations within the housing benefit system relate to TA.<sup>17</sup> Prior to 2009, housing benefit for TA was provided via a ‘threshold and caps’ scheme which did not relate subsidy directly to the size and location of the property used.

From April, 2010 a new system was introduced that related specifically to private sector or short-leased accommodation, licensed, and board and lodgings accommodation used for TA.<sup>18</sup> Prior to the introduction of the change, these properties were regarded as being held within the main Housing Revenue Account (HRA) and so were treated as rent rebate cases with the rents set by the local authority.

However, the 2010 regulations established that this type of property should be regarded as non-HRA, and subject to a new housing benefit subsidy scheme. This scheme was introduced, in part, ‘to control the overall level of Housing Benefit expenditure on customers living in temporary accommodation’.<sup>19</sup> The system of thresholds and caps had created opportunities for local authorities to offset the costs of delivering the service but had the effective of disincentivising local authorities from making efficiencies where possible. The new system was based on the LHA rate, and applied the regulations set out in Box 1. The rationale for a ‘90 per cent’ LHA payment was that landlords would be relieved of the burden of property management if their properties were leased to local authorities and so could charge less rent; London boroughs would then be granted an additional £40 per week per property under the scheme to offset the costs of management. Outside of London, and for reasons that were not clear, the additional payment was £60 per week so creating a degree of inequity.

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<sup>17</sup> See W. Wilson (2015) ‘Households in temporary accommodation (England)’, House of Commons Library Briefing Paper, 02110, 17 August.

<sup>18</sup> DWP (Department for Work and Pensions) (2009) ‘Explanatory memorandum to the Income Related Benefits (Subsidy to Authorities) (Temporary Accommodation) Amendment Order 2009’, Memorandum no. 2580.

<sup>19</sup> Ibid, 2.

Box 1: TA subsidy scheme at April 2010

*Short-term leased and self-contained licenced accommodation*

The maximum payment to local authorities from DWP was set at 90 per cent of the LHA rate for the property used in its given Broad Rental Market Area (BRMA), appropriate to the size of bedrooms. Applying a 90 per cent level was predicated on the assumption that local authorities were absorbing landlords' management costs by leasing and managing the property on their behalf. An additional £40 per week subsidy is paid to local authorities by DWP to meet their management costs. Outside London, this additional management subsidy was set at £60. The maximum rate would be for five-bedroom properties.

*Board and Lodgings or B&B and non-self-contained accommodation*

The maximum subsidy would be the self-contained one-bed LHA rate for the appropriate BRMA.

Note that the subsidy related to the size of property actually used, and not the bedroom needs of the household being accommodated. This measure aimed to curtail the risk of over-accommodation.

The changes took effect from April, 2010.

In October, 2010, the Income-related Benefits (Subsidy to Authorities) (Temporary Accommodation) Amendment Order introduced a change to the TA formula. The Order extended the application of the formula to include properties leased from housing associations and other similar types of leasing scheme.

More importantly, perhaps, the Order also established that, until March 2013, the LHA rate used in the formula would be set at the January 2011 rate and not be updated, irrespective of any increase in market rents. The new formula – generally referred to as the '2011 LHA formula' – was applicable from April, 2011 and application has continued after March 2013 and at the time of writing is still in operation. Although the 2011 LHA formula is still set at the 50<sup>th</sup> percentile rather than the 30<sup>th</sup>, it remains the case that, over time, the subsidy has declined in value against market rents due to continued use of the January 2011 rates. No alteration was made to the management fee, which remained at £40 per week in London. Any additional local authority TA expenditure would not be supported by central government subsidy.

An upper payment limit of £500 for TA was also established for seven London BRMAs: Central London, Inner West London, Inner North London, Inner South West London, Inner East London, Inner South East London, and Outer South West London. In other London BRMAs, rents would be subject to an upper cap of £375. The overall Benefit Cap remains applicable to households in TA.

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## **Homelessness Prevention Grant**

TA services are also supported indirectly through grant targeted at homelessness prevention and alleviation. The Homelessness Prevention Grant (HPG) was introduced in 2002 and was intended to finance prevention schemes and consequently reduce the number of families living in TA. In September 2012, the Government announced a commitment to continue that funding to 2015. London boroughs were allocated over £35m from a budget of £160m for England, around a quarter of the budget. London Boroughs were each to receive a minimum grant of £400,000.<sup>20</sup> The Local Government Finance Settlement 2016/17 indicated a total budget of £78.68m for Homeless Prevention in 2016/17. London Boroughs were to receive 44.7 per cent of the total, a sum of just over £35m.<sup>21</sup> This funding covers a range of prevention and homelessness services, with limited direct impact on TA, and has been subject to reductions in central subsidies to local government services.

Boroughs will use a range of strategies to maximise the effectiveness of their HPG spending, depending on the characteristics of local homelessness, on the availability of local support services, and on the nature of the local rental market. There has been a growing emphasis on prevention as a more effective means of tackling homelessness. In April, 2013 the Housing Minister announced £1.7m in funding for the development of a 'Gold Standard', through peer-practitioner training in the development of homelessness prevention strategies. It is not the purpose of this research to examine in detail how local authorities choose to prioritise their HPG spending although, as will be seen in Chapter 6, local authority strategies with regard to prevention will have an impact on their TA costs.

## **The shift to nightly rates**

A substantive change in the character of the TA market occurred in 2013. In August 2013, the Government announced the availability of new funding to reduce the number of households living in B&Bs. This funding followed a marked upturn in the

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<sup>20</sup> DCLG (Department for Communities and Local Government) (2012) 'Safety net against homelessness continues to 2015', <https://www.gov.uk/government/news/safety-net-against-homelessness-continues-to-2015>. Accessed 19 August 2015.

<sup>21</sup> <https://www.gov.uk/government/publications/core-spending-power-provisional-local-government-finance-settlement-2016-to-2017>

use of B&B accommodation, which had increased from 2,660 households in Q3, 2010 to 4,600 in Q3, 2013. The use of B&Bs for periods in excess of six weeks left local authorities open to legal challenge. On 1 August 2013, the Housing Minister announced that additional funding – totalling £1.9m – would be available to seven of the fifteen local authorities accounting for 80 per cent of the B&B population in accommodation for periods beyond the legal limit. Four London boroughs received funding which aimed to encourage innovative solutions to meeting acute housing need.

Pressure to reduce the use of B&B accommodation created sudden and highly localised demand for emergency short-term accommodation, to effect the immediate movement of households from B&B arrangements and so meet the requirements of the grant funding. This kind of demand essentially created a new ‘product’ in the market: nightly rates accommodation. Up until this time, it was more commonplace for local authorities to procure properties via longer-term lease arrangements, often using housing association properties or using housing associations as intermediaries. Rental agreements could be negotiated over the long term, with lettings undertaken on a weekly or monthly basis. Under the ‘nightly’ arrangements, accommodation was made available on an instant access, ‘emergency’ basis, with landlords or their intermediaries charging a higher nightly fee. For providers, this product constituted a more lucrative alternative to leasing arrangements. Over time, as will be seen in Chapter 3, TA provision has gradually shifted away from longer-term leased arrangements and towards nightly rates, resulting in an increase in costs. Despite considerable efforts, London boroughs have been unable to effect a reversal of this change.

### **Managing the nightly rates market**

Competition for properties between London boroughs has been recognised as inflationary, and generally rests on the maximum limits local authorities are prepared to pay for accommodation leased at nightly rates. In November 2014, it was recognised that a wide variation was in evidence in the nightly rates with – in some cases – host boroughs paying higher rates than placing authorities. In an effort to contain expenditure, London borough officers developed a cross-London nightly rates agreement (NRA) with the objective of sharing information on agreed nightly rates and so reducing variation. The agreement aimed to reduce the cost of accommodation procured on a nightly rates basis and persuade landlords to enter

into more stable, longer-term arrangements with boroughs. In June, 2015 it was reported that the NRA had been successful in slowing an upward trajectory in nightly TA costs, and that only 4 per cent of properties had been let at rates above that costs. However, some local authorities noted that they were under pressure to use B&B accommodation as a consequence of the inability to find emergency accommodation at the agreed rate.

## **Out of borough placements**

Local authorities seeking affordable TA are increasingly compelled to meet demand by making placements outside the home borough. In 2012, over 11,000 households were placed in temporary accommodation outside the borough in which they were living. Around 700 were placed outside London altogether.<sup>22</sup> In 2013, Shelter reported that the incidence of out of borough (OOB) placements had grown from 11 to 16 per cent of TA households between 2008 and 2012. According to this report, 63 per cent of TA placements made by the seventeen boroughs returning data were located within their 'home' borough. A further 23 per cent were found placements within a neighbouring borough. In 12 per cent of placements, that borough was outside the Greater London boundary but still within a neighbouring borough. A total of one per cent of placements was made outside Greater London but in the South East or East region, and less than one per cent was placed outside London, the South East or East regions.<sup>23</sup>

In addition, a number of boroughs have substantially increased the proportion of TA cases dealt with by using property in other local authority areas. OOB placements have been the subject of some scrutiny and criticism. The situation is being monitored by borough officers as part of the Inter-Borough Accommodation Agreement, implemented from April, 2011. The agreement aimed to ensure that London boroughs could not agree a higher rental payment on an OOB placement than would be paid by the home borough; to inform the 'home' borough that a

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<sup>22</sup> London's Poverty Profile (2015)

<http://www.londonspovertyprofile.org.uk/indicators/topics/housing-and-homelessness/>, accessed 3 June, 2015.

<sup>23</sup> Shelter (2013) 'Accommodating homeless families under the benefit cap',

[http://england.shelter.org.uk/\\_data/assets/pdf\\_file/0006/645072/Homeless\\_families\\_and\\_the\\_benefit\\_cap\\_-\\_March.pdf](http://england.shelter.org.uk/_data/assets/pdf_file/0006/645072/Homeless_families_and_the_benefit_cap_-_March.pdf), accessed 18 August 2015.

placement had been made; to safeguard vulnerable households; and to ensure that any RSL procuring properties for TA use would first offer these to the home borough.<sup>24</sup>

Borough officers have continued to track the number and scale of OOB placements, and this information is shared between boroughs to improve transparency and better understand where placements are being made across London. It is not the purpose of this report to examine the practice of out of borough placements in terms of possible impacts on the households involved. However, London Boroughs outside the more highly pressurised areas have reported that displaced demand for TA from those boroughs remains problematic and is increasing.<sup>25</sup>

### **Inter-borough procurement**

One further area of development has been the possibility of inter-borough co-operation and co-ordination of TA procurement. Dynamic Purchasing Systems (DPSs) are in place to procure both within-borough and out-of-borough placements for collaborating boroughs. Detailed evaluation on the operation of these frameworks is outside the scope of this current research, and TA respondents felt that it was too early to review any outcomes from this approach. The officers were largely positive about the development, and in particular were optimistic about the potential it gave for boroughs to work together and so more effectively control costs in the TA market. However, it was felt by some officers that a DPS approach required more detailed consultation than had so far taken place, to ensure that all boroughs would benefit equally. There was some concern that demand from the more expensive boroughs might have an impact on costs in less expensive boroughs where rents were closer to the LHA level.

### **Nzolameso v City of Westminster**

In April, 2015 the Supreme Court handed down a judgement in the case of *Nzolameso v City of Westminster*. A case had been brought against the City of

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<sup>24</sup> London Councils (2011) 'Inter-Borough Agreement on Cross-Borough Accommodation Placements'. Available at: <http://www.elhp.org.uk/docs/IBAA.pdf>, accessed 4 November 2015.

<sup>25</sup> H. Spurr (2015) 'Out-of-London placements surge', *Inside Housing*, 28 August.

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Westminster following its decision to terminate its homelessness duty to Ms Nzolameso when she refused the offer of a privately rented property in Milton Keynes. Ms Nzolameso and her five children had been evicted from a privately rented property in Westminster following a reduction in housing benefit support and a subsequent build-up of rent arrears. Ms Nzolameso had argued that she needed to stay within Westminster Borough in order for her children to remain in the same school, for her to continue under the care of a GP for treatment of her HIV and other medical conditions, and to retain her local network of support. The Supreme Court found that Westminster had paid insufficient attention to the needs of the household in offering a placement in Milton Keynes, and had provided insufficient evidence of attempts to place the household within borough or nearer to Westminster. The decision indicates that local authorities may be challenged where OOB placements are made solely on the basis of alternative accommodation being unavailable, where there was no evidence of efforts to find accommodation closer to home, and where active consideration was not given to the suitability of the accommodation being offered to the specific household in question.<sup>26</sup>

The decision reflects a tightening of government guidance around OOB placements within the Homelessness (Suitability of Accommodation) (England) Order, 2012. The Judgement carries the implication that recourse to OOB placements will, in each case, require active evidence of an alternative search for closer accommodation and more detailed explanation of the suitability of the property being offered. This development is likely to increase the resources required by boroughs to source and make placements in OOB accommodation.

## Conclusion

This chapter has indicated that current TA subsidy rules have developed largely through accretion. There has been a tendency for successive layers of regulation to restrict the level of subsidy available although a basic tenet remains in place: that the subsidy is split between a 'rent' portion, based on 90 per cent of the LHA set at 2011 levels; and a 'management' portion of £40 a week, intended to recompense local authorities for the cost of managing the property. As will be seen as a result of the

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<sup>26</sup> Nzolameso v City of Westminster, 2<sup>nd</sup> April, 2015. Available at: [https://www.supremecourt.uk/decided-cases/docs/UKSC\\_2014\\_0275\\_Judgment.pdf](https://www.supremecourt.uk/decided-cases/docs/UKSC_2014_0275_Judgment.pdf). Accessed 4 November 2015.

costing exercise, this framework is a poor fit for current TA delivery: landlords are unlikely to accept that their rental income should be curtailed below the LHA level; and local authorities are more likely to use the £40 'management fee' element to offset the shortfall between the rent agreed with the landlord and the amount of subsidy available.

The TA market changed in 2013, reflecting pressures to cut the number of households living in B&Bs beyond the allowable six-week limit and so increasing demand for emergency accommodation for households at the six-week limit. It could be argued that controversy with regard to OOB placements has overshadowed the substantive shift that has taken place in the TA market, and failed to take into account boroughs' increasingly limited options for affordable property available locally. The growth of the nightly rates market will be evidenced in the next chapter.

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## 3. The current TA market: demand and supply

### Introduction

This chapter aims to describe elements of the TA market as evidenced through qualitative material gathered from TA officers, from the quantitative survey and from P1E returns. Although it is possible to pinpoint some overall trends in the changing TA market, it is notable that London boroughs do not take a standard approach to TA procurement and management; they each operate in different housing markets that carry often highly localised opportunities or pressure-points; they have differing approaches to prevention as a strategy to limit use of TA; and they are all building on separate and distinctive pathways towards use of the PRS to meet housing need. These issues will be addressed in more detail in the next chapter. This chapter aims to address the broader picture, to explore evidence on change in the TA market.

### Overall demand

Overall, as has been seen, there has been an increased demand for TA across London. Table 3.1 indicates a progressive reduction in the number of households in TA from a high point in 2006. That reduction was halted in 2011, and between 2011 and 2015 there has been an increase of 26 per cent in households in TA.

The length of time spent in TA by individual households has a bearing on overall costings. TA is intended to be an interim measure. A report produced by Shelter, based on Freedom of Information request and using data from seventeen London boroughs, indicated that 29 per cent of 14,001 households in TA had spent less than six months in TA, and 61 per cent had spent less than two years. However, 21 per cent had spent five or more years in TA.<sup>27</sup> These data were not broken down by borough.

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<sup>27</sup> Shelter (2014) *Temporary Accommodation in London: Research Findings and Policy Recommendations*, London: Shelter.

This research has aimed to collate data on TA usage that integrates the number of households and the length of time spent in TA tenancies over a financial year. As a consequence, boroughs were asked to provide the number of weeks of TA they had purchased over the last three financial years. Sixteen boroughs provided figures (six Inner London, ten Outer London). The boroughs had between them purchased the equivalent of 983,716 placement weeks in 2014-15, compared with 766,471 in 2012-13. This represents an increase of 28 per cent, and is a more accurate indicator of scale of increase than simply taking the number of households, which grew by 14 per cent over the same period.

### **Changing nature of demand**

Local authorities were asked about the changing nature of demand for TA. Following the introduction of welfare reforms including both the Benefit Cap and LHA restrictions on larger properties it was anticipated that larger families would begin to be over-represented in demand for TA.

London boroughs were asked about the unit sizes of the accommodation they had used for TA over the last three financial years. This data did not distinguish between TA procured inside and outside borough. Not all respondents were able to break down their TA procurement in this fashion, and returns were made by thirteen boroughs (six Inner and seven Outer London). The use of larger units – comprising 4+ bedspaces – varied in proportion, and in one exceptional case represented between 11 and 16 per cent of weekly and nightly placement cases in the three years since 2012-13. However, in the majority of cases, larger unit use represented between five and ten per cent of placement weeks or nights. The returns indicated that, taking all boroughs together, there was little evidence of a substantial or marked increase in use of larger units over the three years from 2012-13.

Qualitative interviews indicated variation in the demographic of demand for TA. Information on the issue was available from fourteen boroughs. Five of these boroughs reported that they had a noticeable increase in the number of larger families, with one borough indicating that they had just five large families awaiting 4+ bed units in April 2010 but by April 2015 had received applications from over 100. Some boroughs noted that their local authority had been proactive in targeting large families whose incomes would be affected by welfare reforms, and remedial strategies were put in place precluding recourse to TA. Another officer commented

that in their view larger families were more likely to contain individuals who had some degree of disability, exempting the household from the benefit cap. In another instance, a TA officer indicated that in their borough, larger families tended to be over-represented in any case as a consequence of the poor availability of larger social properties in their area.

## **Managing procurement**

Local authorities varied substantially in the ways in which they procured property for use as TA, and this research was not able to collate sufficiently detailed information to create any kind of typology of approach. The variation can be explained by the diversity of the PRS market in boroughs, including under or over supply of particular accommodation types and sizes; the dynamics of the homeless population; costs within the TA market; and the local authority's own tradition of working with the PRS more broadly.

The qualitative interviews and focus groups reported that some boroughs approached procurement in the PRS as a single exercise irrespective of whether the property was to be made available for TA or a PRSO. In these instances, officers were aware of the financial parameters of the deals they could make under various subsidy arrangements, and enter negotiations with a landlord or agent on a deal-by-deal basis depending on the length of time the property might be available and demand for that particular property type. Local authorities were all of the view that aiming to continue any long-term leasing arrangement was a preferred strategy, but it was commonly the case that the ending of lease periods meant the withdrawal of properties. Where the provider sought to continue working with the borough, the properties were offered on terms that offered worse value for money.

At the same time, local authorities were actively seeking letting opportunities within their own properties, held under the HRA. These opportunities could arise for short periods, for example, during the course of regeneration activity. It is for this reason that the overall portfolio characteristics might change abruptly over the course of a short period of time.

## **Change in property supply**

The majority of local authorities have a portfolio of properties and arrangements they use to meet demand for TA. These portfolios have altered in response to

changes in the welfare system, to homelessness guidance, to defined best practice and to the level of supply.

The P1E returns define usage of particular types of TA, broken down by local authority area. Guidance accompanying the P1E returns distinguishes between nine types of TA:

- other nightly paid, privately managed accommodation
- privately managed accommodation leased by the authority
- hostels (non-HRA support)
- bed and breakfast accommodation
- private managed accommodation leased by RSLs
- directly with a private sector landlord
- accommodation within the authority's own stock (non-HRA)
- other temporary accommodation
- accommodation within RSL stock.

<b>Year (first quarter )</b>	<b>Bed &amp; Breakfast hotels (%)</b>	<b>Hostels (including women's refuges) (%)</b>	<b>LA or HA stock (%)</b>	<b>Leased from the private sector by LAs or HAs (%)</b>	<b>Other private sector accommodation (%)</b>	<b>Total (%)</b>	<b>N. households in temporary accommodation</b>
2003	14	8	20	44	13	100	52,690
2004	6	8	17	59	10	100	58,820
2005	5	7	16	61	11	100	61,990
2006	4	7	14	65	10	100	62,740
2007	4	6	12	63	15	100	59,810
2008	3	6	12	62	17	100	55,500
2009	2	5	10	68	14	100	47,780
2010	2	6	9	70	13	100	39,030
2011	4	6	9	66	16	100	35,850
2012	5	6	11	61	17	100	36,740
2013	6	6	11	56	22	100	40,230
2014	5	6	11	50	28	100	43,310
2015	6	5	11	42	35	100	48,240

Source: DCLG Statutory Homeless Live Tables, Live Table 775 (London).

There has been an overall shift in the characteristics of supply (Table 3.1). The proportion of households in properties leased from the private sector by either the local authority directly or by a housing association has dropped from 66 per cent in Q1, 2011 to 42 per cent in Q1, 2015. There has been a near-concomitant increase in the proportion of households in arrangements designated ‘other private sector’, which generally encompasses other nightly paid and split into self-contained and shared accommodation. There is a general agreement that housing associations are now stepping away from the TA market since the subsidy arrangements have become less favourable.

Borough data returned for this study provide further evidence of the movement away from longer leasing arrangements to nightly lets. Boroughs were asked to specify the proportion of lettings taking place as weekly arrangements, and those under nightly letting arrangements. There were marked increases in lettings under both types of arrangements over the three years from 2012-13, but the differences were substantial: there was a ten per cent increase in the number of placement weeks, but a 117 per cent increase in the number of placement nights. The proportion of TA placements at nightly rates, equivalised to placement weeks, grew from 17 per cent in 2012-13 to 29 per cent in 2014-15.

<b>Table 3.2 Number of placement weeks and nights by financial year</b>			
	<b>2012/13 (N.)</b>	<b>2013/14 (N.)</b>	<b>2014/15 (N.)</b>
Placement weeks	634,693	712,548	698,258
Placement nights	922,450	1,346,200	1,998,207
Source: 2015 Survey of London boroughs. Base: 16 boroughs (six inner, ten outer).			

Within that very broad overview, local authority TA portfolios were remarkably variable. A number of local authorities reported a haemorrhaging of their leased properties, where arrangements were not being renewed by landlords as tenancies came to an end. One borough noted that at one time it had a leasing arrangement which allowed it to access 1,200 units, but now only 50 units are available via that route. The borough had been able to procure new properties, but not at sufficient scale to replace the losses. Furthermore, the properties that had been procured under long leases were now being made available at nightly rates. Another borough similarly reported a loss of 40-50 units a month.

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Some local authorities are still making substantial use of their own property, held under the Housing Revenue Account. In some instances, this is property that has become available for shorter-term tenancies on estates where regeneration activity is being planned. One borough noted that it was allowing overcrowding in TA households in its own one-bed properties as a way to contain TA costs and keep use under the HRA. Other boroughs were seeking to create TA opportunities through the conversion of properties not originally constructed for residential use, such as unlet shops on estate shopping malls and office accommodation.

## **Conclusion**

P1E statistics indicate an increase in the number of households in temporary accommodation. Borough returns for this research exercise indicate that TA usage may have increased beyond the degree indicated by the P1E statistics, which do not necessarily encompass the length of TA tenancies. There is substantial evidence of a change in the TA market, with supply shifting from longer-term leases to nightly rates accommodation. As will be seen in the following chapter, this shift underlies the increasing cost of TA to local authorities.

## 4. Costing the use of temporary accommodation

### Introduction

Changes to the context for TA delivery, and a decrease in the level of subsidy available, has created a new economic climate for TA finance. Local authorities are now routinely meeting rapidly increasing TA costs in excess of subsidy. A number of data sources are available that give some indication of elements of expenditure on TA. However, these data are insufficiently detailed to isolate the cost to individual authorities of delivering TA services, and it is for this reason that specific data were requested from local authorities to complete a costing exercise. This chapter outlines the method used to collect data. Analysis of returns indicates that existing data are likely to underestimate the costs of TA. Extrapolating from returned data, London boroughs are estimated to be meeting one quarter of the cost of TA services from their General Fund, with an estimated expenditure, in 2014-15, of £170.4m.

### Research on TA costs

The broader 'cost' of homelessness has been the focus of a number of research reports, including one produced by the Department for Communities and Local Government in 2012. This research exercise recognised that welfare expenditure – and in particular, housing benefit costs – required separate calculation, but excluded TA costs in its estimations.<sup>28</sup> The costs of TA to the taxpayer have been the subject of a number of investigative reports.<sup>29</sup> Other reports have sought to capture the overall costs to the taxpayer taking into account impact on households' increased benefit dependence.<sup>30</sup>

Reference to the cost of TA specifically has been made in other contexts, but those costings are rarely accompanied by a detailed explanation of what is included or excluded within the costings exercise. For example, Shelter's report on TA in 2014

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<sup>28</sup> DCLG (Department for Communities and Local Government) (2012a) 'Evidence review of the costs of homelessness', August 2012.

<sup>29</sup> N. Mathiason, *et al.* (2013) 'The housing crisis: scale of UK housing crisis revealed', 19 May <https://www.thebureauinvestigates.com/2013/05/19/uk-housing-crisis-costing-taxpayer-2bn/>; H. (2015) 'Councils spend £18m on "sweeteners" for private landlords, *Inside Housing*, 12 May.

<sup>30</sup> Shelter (2004) *Living in Limbo*, London: Shelter.

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followed a freedom of information exercise and asked for data from London boroughs on the number of households in TA, their location and how long they had been in TA; whether those households were subject to the benefit cap; and whether those TA households were in receipt of DHP. The questions were so framed as to offer data on DHPs, commenting only that the cost of DHP for households subject to the cap in nine London boroughs was £1,917,476.<sup>31</sup>

Other agencies have produced short news items often based on data gathered under freedom of information legislation. In August 2015, the *Local Government Chronicle* reported that nine London boroughs 'used £18.8m of their own cash in 2014-15' to meet TA costs.<sup>32</sup> However, no detail is given on how questions were framed, and the income and expenditure used to arrive at the final costings. The 'Institute of Investigative Journalism' also produced a story detailing the costs of TA in selected cities across the UK, but in this instance gave no detail at all on how information was collated.<sup>33</sup>

As will be seen below, routine financial reporting indicates expenditure on the LHA element of HB, on DHP levels, expenditure on homelessness prevention measures and on the level of Homelessness Prevention Grant. These data overlap in ways that are not entirely clear. For example, as has been seen, expenditure on homelessness and DHPs include some services relating to TA but the cost is not routinely disaggregated. Where estimates are given on the costs of TA, it is not always clear what elements of expenditure and income are taken into account. Existing data indicate the scale of expenditure but do not readily isolate the costs to London boroughs in meeting TA need.

## Costing method

The costing method for the current research was arrived at following a focus group meeting with finance officers who had oversight of this element of local authority

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<sup>31</sup> Shelter (2014) *Temporary Accommodation in London: Research Findings and Policy Recommendations*, London: Shelter.

<sup>32</sup> Chloe Stothart (2015) 'Rising costs and subsidy shortfall hit councils with massive bill', *Local Government Chronicle*, 20 August.

<sup>33</sup> N. Mathiason,(2013b) 'Westminster hit by soaring costs as it struggles with homeless crisis', The Bureau of Investigative Journalism website, 8 June

<https://www.thebureauinvestigates.com/2013/06/08/westminster-hit-by-soaring-costs-as-it-struggles-to-cope-with-homeless-epidemic/> Accessed 19 August 2015.

expenditure; further development meetings and discussions with individual finance officers; and the testing of a pilot spreadsheet with a small handful of respondents. It was evident that the use of existing Revenue Outturns for homelessness services would not necessarily return a robust or sufficiently detailed costing for TA at borough level. It was agreed by the finance officers that the headings for Revenue Outturn data homelessness services were not necessarily used consistently by local authorities. There were also considerable variations in annual returns, year-by-year, for which no explanation was available.

As a consequence, these expenditure data were not used directly in the final calculation. However, the framework for distinguishing between accommodation types was utilised. The Revenue Outturn data includes expenditure on administration and support, but these do not distinguish TA expenditure specifically. As a consequence, local authorities were themselves asked to distinguish this cost.

The collected data were also framed to meet the following particular objectives:

- the ability to distinguish between expenditure on ‘nightly rates’ or licenced property, as an increasing element within TA expenditure over time;
- the ability to distinguish how far costs on management could be offset by the ‘management’ element of the TA subsidy;
- the creation of a time series; and
- to establish whether and how far use of larger properties had increased over time.

Although a five-year time series was originally envisaged, it was advised that a three-year period might be more feasible for local authorities to deliver within the fieldwork period of the research.

## **Data collection**

The data were collected via a spreadsheet, requiring the entry of income and expenditure data for the years 2014-15, 2013-14 and 2012-13 (Appendix 2). The spreadsheet was emailed with a guidance note to London Borough Housing Directors for circulation to Finance Officers (Appendix 1). Following return of the

spreadsheet, each borough was re-contacted to complete a 'robustness check'. This check allowed:

- explanation to be gathered for any obviously anomalous data;
- an opportunity for the local authority to discuss any data that could not be included in the calculation; and
- confirmation that the return constituted an accurate representation of local expenditure on TA.

Once checked, the data were then entered onto a joint analysis spreadsheet. A total of twenty boroughs returned a completed spreadsheet, although in three cases a detailed breakdown of placement weeks/nights could not be supplied.

### **Caveats**

Some caveats are attached to the data there were returned by the boroughs. The 'robustness check' indicated that in many instances, figures had been collated by teams, and were not necessarily cross-checked for internal consistency, and to ensure that all the available evidence was included. The robustness check could not encompass every individual who had contributed data.

It is evident that there is under-reporting, particularly of hostel provision. This becomes clear through comparison of data returns with P1E returns on hostel use. Furthermore, some boroughs were not necessarily able to supply full details where local housing benefit administration had been outsourced. In at least two cases, boroughs reported that their record-keeping did not allow for this level of detailed breakdown. Funding cuts had affected borough financial software procurement and updating, which meant that the data requested could not be produced within the research timeframe.

### **Elements included in the calculation**

The calculation aimed to collect information on gross expenditure on TA, including rental costs, administration and support costs, and expenditure on bad debt and void properties. Income to offset this expenditure included TA subsidy payments, the recovered tenant contribution and DHP contribution. The difference between expenditure and income would constitute the net cost to local authorities in meeting

TA need. It was anticipated that local authorities would run a 'rent account' for their TA management, and in some instances this was clearly the case. However, as will be seen, it was difficult for some boroughs to isolate some elements of the calculation and despite the creation of a guidance note the returns indicated that ambiguity remained around some costing elements. This chapter includes discussion of each element in the calculation separately before the chapter moves on to consider the global TA costings.

## *Expenditure*

### *Property supported by the Housing Revenue Account*

There was considerable debate at the outset of the costings exercise as to whether TA need that was met through use of property under the HRA should be included. This type of accommodation is not included under the P1E statistics.

It was argued in some instances, that the use of HRA-supported accommodation constituted a 'nil' cost: essentially, local authorities could not charge themselves to use their own property for TA. There was some confusion on the degree to which TA subsidy could be used to offset property used under the HRA, and it was argued in some cases that in any case the local authority was incurring costs as a consequence of managing those households. Some local authorities indicated a total number of placement weeks plus a costing for those weeks; others indicated a number of placement weeks without any costing; and a third group returned zero under placement weeks and costing.

In total, thirteen of the boroughs making returns indicated that they had made use of housing within their HRA, securing over 64,000 placement weeks via that route. However, this figure constitutes a small proportion in overall demand and these data are retained within the overall costings calculations.

### *Hostels/women's refuges*

Remaining housing options were all in property types distinguished by the P1E returns, and so it can be presumed that local authorities would be well placed to indicate their particular use of the options specified. The Revenue Outturn data for 2013/14 indicated that just seven local authorities logged expenditure on TA under this heading. Note that there is a poor match between those authorities and the

returning authorities for this study in terms of expenditure in 2013/14: in one borough there is a difference of over £5m.

### ***Accommodation within the borough's own stock (non-HRA)***

Again, there appeared to be some inconsistency in this data compared with the Revenue Outturns. The returns for 2013/14 indicated that two London boroughs had expenditure under that heading, and one made a surplus. However, the number of placement weeks is small and comprise fewer than 6,000 in 2014/15 for the returning boroughs. Again, in the interests of consistency, these figures are included in the global totals.

### ***Property procured from the private sector/RSLs***

Analysis aggregates all properties procured from the private sector and RSLs, which comprise lines 40, 43, 44, 46 and 48 in the P1E data. This aggregation reflects local authorities own reporting on the sometimes fluid boundaries between these types of arrangement, but which all constitute third party, longer-term arrangements. Sixteen boroughs returned figures under these headings.

The previous chapter has indicated increased demand, which has resulted in a pattern of increased costs. Overall, between 2012/3 and 2014/5, expenditure on rents alone for property procured from the private sector including leasing via RSLs has increased by 40 per cent: in 2014/15, expenditure for the sixteen boroughs making returns stood in excess of £302m. Within that overall figure, expenditure on leased property increased from £146m to £162m, but expenditure on bed and breakfast and other nightly rates accommodation more than doubled, from £69m to £140m.

### ***Incentive payments***

In May, 2015 it was reported in *Inside Housing* that £18m in what it termed 'sweeteners' had been paid to private landlords by London boroughs between 2012/13 and 2014/15 (see Appendix 3).<sup>34</sup> The report gave no detailed definition of 'extra incentive fees', but indicated that this fee was paid above the rent or deposit to landlords to persuade them to let to a household on housing benefit. The fees did not

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<sup>34</sup> Spurr, 'Councils spend £18m'.

necessarily relate to TA, and could relate to procurement in order to meet homelessness prevention or in relation to PRSOs.

In considering TA specifically, not all boroughs returned a disaggregated figure for expenditure on landlord incentives. These require careful definition. In some instances, incentives may be up-front payments of rent, made on the understanding that the rental charged for an agreed period will equate to a figure at or below the 90 per cent LHA rate. Essentially, the borough is arranging to pay the additional 'management fee' of £40 per week to the landlord, as a single payment at the start of the tenancy. This figure equates to just over £2,000 for a tenancy lasting for twelve months. Where local authorities are reportedly paying up to £5,000 per tenancy – as indicated through anecdotal reporting from TA officers – it may be that agreement has been reached with those landlords to secure a longer-term tenancy. It may also be the case that additional incentive payments not connected to the rent are made in some circumstances.

As a consequence, all data on incentives need to be treated with some caution. Nevertheless, here it is likely that there has been substantial under-reporting on incentive payments.

### *Costs of support and administration*

Boroughs were invited to provide figures for tenancy support and the costs of administering TA. Revenue Outturn data are provided on the costs of tenancy support and administration of homelessness services generally, and specific TA costs are included within that expenditure. As a consequence, guidance on the survey spreadsheet directed officers to lines 47 and 50 of the Revenue Outturn data, on the understanding that costs might constitute a percentage of those.

Twenty boroughs returned costings for support and administration. In 2014/15, combined costs for support and administration across these twenty boroughs totalled £47.9m. This represents a 1.7 per cent increase in expenditure since 2012/13, against a 30 per cent increase in demand for TA.

The local authorities were generally unable to disaggregate the £40 management element of the TA subsidy that is intended to support their TA management costs, and so it is not possible to calculate how far the costs of support and administration were offset by the subsidy.

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## *Income*

### *Housing benefit*

The majority portion of expenditure on TA is rental costs. The costs are, in part, met through central government subsidy via the housing benefit system. Appendix 3 indicates that, according to DWP figures, DWP subsidy to support TA increased by 37 per cent between 2011-12 and 2014-15, rising from £330m to £452m. Twenty boroughs returned data on housing benefit income supporting TA expenditure. In 2012/13, the combined cost was £239m, increasing to £290m in 2014-15.

Not all local authorities had been able to disaggregate the income derived from Discretionary Housing Payments, and in some instances this was included in the housing benefit total. Where the payments were isolated, then the costs varied substantially. This variation indicated the degree to which boroughs actively pursued DHP payments as a policy to support TA tenants. On average, for the fourteen boroughs able to disaggregate their DHP contribution, that income met less than two per cent of the total TA cost.

### *Tenant contribution*

All tenants accommodated in TA will be means tested in order to ascertain the rent contribution they will be required to make. According to qualitative reporting by TA officers, it was in some places notable that there had been an increase in the proportion of households presenting as homeless where someone in the household was in receipt of income from work. This – albeit unquantified number – is likely to grow as evictions from PRS properties comprise a higher proportion of homelessness presentations since it is less likely that households will have been able to access such tenancies unless they were in employment. In addition, some TA rents will include components – such as meals or amenity costs – that are not eligible for LHA support.

In these circumstances, tenants will be obliged to make some contribution to TA costs. Fifteen boroughs were able to isolate the income the accrued through recovering a tenant contribution. On average, in 2014/15, 8.9 per cent of TA costs were met through tenant contributions in those boroughs, although it should be noted that the percentages ranged from 2.3 to 22.2 per cent.

## Gross costs and LA contribution

For the twenty local authorities making returns, the gross costs of TA had increased from £349.6m to £463.7m between 2012/13 and 2014/15, constituting an increase of 33 per cent. This figure outstrips the overall increase in demand in placement weeks during the same time period, of 28 per cent: it is become more expensive to meet the growing demand. Table 4.1 indicates that the percentage of gross costs met by the London boroughs from General Funds had also risen, from 22.93 to 24.65 per cent over the same period.

	2012/13	2013/14	2014/15
Gross TA cost (£)	349,635,917	398,451,838	463,705,970
London borough contribution (£)	80,176,994	86,123,768	114,318,193
Proportion of gross cost met by London boroughs (%)	22.93	21.61	24.65

Source: 2015 Survey of London boroughs. Base: 20 boroughs (eight inner, 12 outer).

Returns from the twenty boroughs indicate that existing data on the cost of TA across London may under-estimate actual expenditure (Table 4.2).

	2009/10 (£m)	2010/11 (£m)	2011/12 (£m)	2012/13 (£m)	2013/14 (£m)
Total TA spend (excl prevention, administration and support)	492,566	434,804	404,528	428,767	449,035
Total TA spend (incl. prevention, administration and support)	657,441	559,091	521,483	551,554	617,272

Source: Data collated by London Councils from DCLG RRO data

Using returns from the twenty local authorities, it is possible to estimate costs across all London boroughs. Using the 2013/14 Revenue Outturn data, boroughs may be placed into one of three bands: high (expenditure in excess of £20.1m), medium (expenditure of between £10.1m and £20m) and low (expenditure below £10m). The survey returns are spread across all bands. Applying averages at each banding level to non-returning boroughs, it is estimated that expenditure on TA in 2014/15 was likely to be close to £663m. Again using average local authority contribution data, the level of expenditure met by London boroughs can be estimated at £170.4m.

## Conclusions

This chapter has reported on the findings from a costing exercise that has attempted to arrive at a robust calculation of the cost of TA to local authorities, over and above the level of subsidy provided by Central Government. The exercise indicates that local authorities do not collate their TA expenditure across uniform budget headings, and in some instances are unable to return costings for particular elements

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that are central to a costings calculation. Where returns have been made, they indicate that there has been an increase in demand for nightly rate accommodation, which has led to growth in expenditure over and above costing increases related to increasing use of TA services. The data indicate the costs of TA had increased by over a third during the research period, and in the last financial year local authorities were meeting a quarter of those costs. Using the returns from 20 London boroughs, it is possible to estimate TA costs across the capital: these are likely to be in excess of £663m. A quarter of those costs was not met through central government subsidy, and so has been funded by London boroughs from their own General Funds. TA services cost London boroughs an estimated £170.4m in 2014/15. The following chapter presents findings from qualitative interviews with TA officers, and provides an insight into the experience of delivery of TA services at borough level.

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## 5. Delivering TA: borough officers' views

### Introduction

This chapter presents findings from telephone interviews with officers in thirteen London boroughs. The interviews aimed to capture some contextual material for the costings exercise. However, it is evident that the interviews demonstrated that local delivery of TA services are under substantial pressure from what was frequently characterised as 'a perfect storm' combining multiple policy interventions and market conditions to produce a situation in which local authorities found the TA market increasingly difficult to control. Recent cross-borough developments have introduced measures to contain rent increases but – as boroughs indicated – these could be costly in the short-term. The interviews demonstrated that local authorities each faced distinctive pressures in meeting the need for TA, but their view of the impacts of the housing market and changes in welfare provision tended to converge.

### Borough-specific factors influencing TA

Respondents were asked to indicate whether their particular borough's experience with TA was distinctive in any way. Here again it should be noted that the reporting will not discuss particular borough cases, and that respondents were assured of confidentiality in reporting. A number of factors were discussed as circumstances which might mean that the way that TA was handled could be distinctive in a given area.

#### *Local tenure mix*

For some boroughs, the particular mix of tenures was distinctive. One inner London borough reported that – in common with a number of other Inner-West London boroughs – they had a larger than average PRS. This meant that they were in a better position to procure property in the sector, and had taken the decision to prioritise prevention work that meant active promotion of PRSOs with homeless clients.

#### *Strategy*

Some officers indicated that their homelessness strategy followed local decision-making at committee level. So, for example, one borough had actively followed a prevention agenda and was reducing its use of TA as far as possible; in another, a

policy statement had been made on B&B usage in the borough. In this latter case, the officer felt that the decision had reduced the range of possible TA options, and left the local authority less able to negotiate on the nightly rates market.

### ***Economic upturn***

Three boroughs reported that infrastructure developments in their area had had a substantial impact on the local housing market. These developments have tended to increase the supply of rented property, but also increase local rents. One officer mentioned that their borough had recently been highlighted as an ‘investment hotspot’ in the national media, and as a consequence parts of the borough that had previously been available for LHA lettings had become unaffordable. Another borough reported an increase in property investment in the area, but high numbers of ‘buy to leave’-style developments. Commuting times to the centre of London had improved but then local rentals had risen steeply.

### **The demographics of TA demand**

For the TA respondents, questions of TA demographics tended to be answered less in terms of the types of household needing TA, but on change in the reasons for increased demand. Almost all respondents mentioned the increase in demand that was a consequence of an end to Assured Shorthold Tenancies. It was commonly thought that landlords were asking tenants to leave in order to take advantages of an upturn in the housing market to sell, or to implement a substantial increase in the rent being charged.

There was some reporting of an increase in the proportion of working families presenting as homeless, and it was felt that this introduced pressures in securing placements located within a reasonable distance of the place of employment.

Some boroughs viewed an increase in larger families amongst their TA tenants as reflecting the inability to move those tenants into any local affordable option. TA was essentially ‘warehousing’ those families indefinitely. In the longer term, it was felt that using the PRS as a means of discharging homelessness duty would in essence create a cyclical demand for TA, with the same households re-presenting as homeless after their arrangement with a landlord had come to an end.

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## **Change in the TA portfolio**

All the boroughs mentioned that their TA portfolio had changed substantively, in the shift from longer-leased properties to properties only available at nightly rates. One borough reported a loss of 40-50 leased properties a week, and in another borough one provider had reduced the properties available to the borough from 1200 units to 50.

Boroughs reported different approaches to managing change in their TA portfolios. One borough had taken the decision to reduce their reliance on larger hostels, and instead redirect resources at improving a number of smaller hostels. An increase in the supply of borough-owned property was being pursued in a number of cases, including the purchase of properties at the bottom end of the market.

## **The London housing market**

All the boroughs reported affordability issues with the PRS particularly in relation to the LHA, which – in one borough’s view – had left them ‘dead in the water’ when it came to procurement. A number of officers gave examples of differentials between what they knew to be the going market rate and the level of support available in LHA: one inner borough cited a local LHA rate for a two-bed property of £302 per week, with a market rate of £615. In this borough it was thought that no property above the two-bed size was available at the LHA rate. Another outer London borough reported a two-bed monthly rent of around £800 a month where the market rate was closer to £1400.

## **The Localism Act**

Not all boroughs were able to make full use of the option of making a private rented sector offer in order to discharge homelessness duty. In some instances, the view was that this property was simply not available at an affordable price.

## **Changes in welfare provision**

All the boroughs were in agreement that a raft of changes in welfare provision had had a substantive impact on TA in their area. Officers indicated that the number of larger families affected by the benefit cap was less an issue than the overall mismatch between LHA rates and local market rents.

The use of DHPs to offset some of the costs of TA was not regarded by many local authorities as a long-term solution. The payments would offset the costs for a short period of time, but not deliver sustainable solutions. Some officers expressed discontent that other councils had not spent their DHP as a policy decision, but the subsequent underspend was not available to other boroughs that had chosen to maximise their DHP usage. However, TA officers anticipated that DHP budgets would reduce, relative to demand. As a consequence, local authorities were beginning to introduce conditionality measures, for example, that households would only receive DHP if they were willing to take up alternative housing options in the PRS.

## **Delivering TA**

Underlying many of the difficulties faced by local authorities was the fact that substantially increased demand for homelessness services was being faced at a time when department budgets were being cut back. One officer reported that they were anticipating having to make an overall £1.5m savings in their TA budget by 2017/18, with £0.5m of savings specifically in staffing. The respondent summarised the position:

*Demand's gone up massively, my use of TA has gone up massively, my costs have gone up massively, and I'm having to reduce the number of staff to do anything about it and I'm having to reduce the amount I've got to incentivise landlords...It's all a bit of a perfect storm.*

## **Managing the market**

It was evident that the officers felt that they had little control of the TA market, and that their ability to manoeuvre had been constrained by the accretion of a number of policy interventions. London boroughs did not want to see families in B&B accommodation for extended periods, but limits to the amount of time that a family could spend in B&B accommodation had meant that local authorities had little negotiating power with TA providers who were well aware of the pressures boroughs were facing to move households into other types of accommodation. Borough efforts to reduce nightly rates, which had aimed to set a maximum for the nightly rates that local authorities will be willing to pay, was felt by most respondents to be a positive development that had delivered cost savings in the nightly rate.

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However, the agreement was felt to be ‘testing everybody’. In particular, it placed pressure on local authorities that were at risk of contravening the six-week B&B regulation, but who were then obliged to procure at or below the nightly rates agreement rate. One borough indicated that they had, in cases of acute emergency, chosen to use a budget hotel chain in preference to procurement from a TA provider above the nightly rates agreement rate. TA procurement was characterised as a ‘war of nerves’. However, it was felt that the nightly rates work had tended to ratify the shift to nightly rates, when boroughs should have been pressing for a return to longer-term leasing agreements that could have been arranged under the levels set by the subsidy arrangement.

## **Conclusion**

Local authority officers were generally of the view that the impact of Welfare Reform was exacerbated within the context of an expanding and increasingly expensive PRS. There was a high level of frustration that successive changes to TA regulation were generally undermining their ability to deliver an effective service, leaving them little room for manoeuvre in their negotiations with TA providers. Only a small number of local authorities where officers were interviewed were actively pursuing their options under the Localism Act, such as discharge of duty in the PRS, since many felt that the PRS was not affordable in the long term, particularly for any household needing even a two-bed property.

The majority of respondents viewed recent developments in cross-borough co-operation in a positive light, and concluded that the nightly rates exercise had indeed been able to contain costs in the nightly rates market. However, there were some doubts about the ability to arrange cross-borough co-operation on procurement that would not have an impact on rents in the lower-cost boroughs.

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## 6. Conclusions

### Introduction

This final chapter offers some broader conclusions about the operation of the TA market in London, and makes some recommendations. This review has found that there are profound mismatches between intent and outcome in the subsidy of TA services and in the nature of local delivery. These mismatches mean that the degree of central subsidy for TA has diminished relative to expenditure. There has been a slight upturn in the proportion of cost borne by boroughs, but overall expenditure has risen substantially: for the 20 London boroughs making returns, there was an increase from £80m in 2012/13 to £114m in 2014/15.

Given continued reductions in the level of support to TA through the housing benefit system and through homelessness grant, an increasing proportion of this expenditure will be met from borough General Funds. This development comes at a time when borough budgets are being subjected to substantive cuts: officers at the front line of TA delivery are meeting rapidly increasing pressures with reduced and reducing resources.

At the same time, boroughs are negotiating a market that is highly organised and not amenable to manipulation through policy intervention. Furthermore, successive policy developments have constrained local authorities' abilities to negotiate effectively.

### The hidden costs of TA

This costing exercise has underlined the difficulties involved in the task of arriving at a robust costing for TA in London. The problems reflect the fact that TA is generally delivered under a number of budget headings within boroughs, including the Housing Revenue Account, the General Fund, the Homelessness Prevention Grant and housing benefit administration. This latter function may be outsourced, which creates problems with accessing data. Resources dedicated to TA comprise just a proportion of activity in each case, and accounting software may not be set up to readily enable the extraction of the required information. Furthermore, each London borough has a different set up, both in terms of managing and costing its various housing and homelessness elements.

As a consequence, the true cost of TA can remain hidden. Revenue Outturn data indicate that the cost of TA was, in 2013/14, £617m. This exercise indicates that this figure has certainly increased in the last year, and in 2014/15 was likely to be close to £663m. Budgetary restrictions around the level of HB subsidy, reductions in the level of DHP and un-ringfencing the Homelessness Prevention Grant all indicate that a higher level of expenditure will be met by local authorities. However, the very problematic nature of this cost assessment exercise indicates that 'true' costs will continue to spiral with limited capacity for close monitoring.

It is clear that expenditure on TA represents a substantial expense to the taxpayer, irrespective of the split between Central and local government in meeting that cost. Leaving to one side the detrimental impacts on families of protracted stays in TA, where the inflated rents mean that there is limited hope that working families might achieve a degree of independence, the research provokes questions on the value for money represented by such substantial expenditure.

### **Obscuring the implications of welfare reform**

Welfare Reform is having a profound impact on lower income households in London, as evidenced in the increasing number of households in TA. TA is now being used, not as emergency accommodation for people in acute housing need, but routinely as the only tenable housing option for people priced out of the PRS. Growth in the use of TA reflects the chronic unaffordability of London's PRS, where LHA is no longer responsive to changes in the housing market.

It could be argued that the rapidly escalating but largely hidden crisis in TA obscures the impacts of Welfare Reform. Measures to address acute housing need constituted homeless families as vulnerable and 'in priority need'. In actuality, an increasing majority of households now approaching local authorities as homeless are simply unable to afford private sector rents. As one local authority officer expressed it, 'LHA is dead in the water', as welfare reform has undermined the viability of the LHA market in London. It could be argued that increased TA numbers constitute the beginning of a mass migration of low-income households from London's PRS.

### **PRSOs and TA**

Welfare Reform has undermined the bottom end of the PRS at exactly the same time as homelessness legislation seeks to accommodate more households in that sector.

Homelessness officers are well aware that this measure is not sustainable in the long term. In London, all local authority-sponsored use of the PRS is essentially TA, even where it is construed as 'prevention'. London's PRS is not sustainable for households wholly or partly reliant on LHA, and it is inevitable that those households will represent as homeless when any local authority contract with the landlord comes to an end.

Local authority officers acknowledge that, in the current context, the only viable long-term PRSO will be out of London, in boroughs where LHA rents are more affordable. There has been little opposition to the notion that households should not use LHA to subsidise their living in properties in the West End of the capital. However, affordability issues extend across the whole of London. It is not feasible to move LHA demand in its entirety out of the capital. There is anecdotal evidence from TA officers that OOB placements in midland and northern boroughs are having an impact on those housing markets. London incentives and TA subsidy are already creating specialist markets in those areas, carrying the prospect of local rent inflation.

### **A high-functioning niche PRS market**

TA policy development comprises successive layers of policy carrying unintended consequences, the chief of which is the creation of a highly organised niche market within London's PRS. In the wider PRS generally, landlords and letting agents remain largely fractured, pursuing multiple letting agendas that do not always prioritise achievement of the highest possible rent. By contrast, the TA market is entirely fixed on making the best possible deal, and providers in the market are well aware of the pressure on local authorities to act in acute emergency situations. As one officer commented on his rent negotiations with TA providers: 'They were pretty much phoning round and playing us all off each other, saying "x is offering 34 on that, will you offer 35? And then going to y, "they're doing 35, will you do 36"?' In London, interest amongst landlords generally in housing low-income households is diminishing rapidly. Many London boroughs have limited options beyond use of the PRS to meet TA demand, and so have limited leverage to procure cost-effective outcomes.

As the proportion of lettings made under TA arrangements increases, activity will undermine the already unsteady viability of the 'unmediated' lower end of the

sector. London landlords will invariably see TA as a better option, particularly where specialist TA intermediary agencies are able to strike a more lucrative deal by drawing together a wider property portfolio. Local authorities are viewing Dynamic Purchasing Systems as their best option, in arriving at a cross-London consensus on prices. However, again, the possible impacts on the unmediated PRS have been overlooked.

## **The Spending Review**

As this costing exercise was coming to a close, and at the final drafting stages of this report, the Spending Review included a short statement on intended changes to the framework of support for TA within the HB system. The statement contains little detail, but indicates the intention to de-couple the management element of the TA subsidy and devolve that element to local authorities. There would be an increase in £10m of the level of funding available for DHPs. No further information was available, and recommendations have been reframed in the light of this statement.

On the last day of Parliament, 17 December, 2015 further measures were announced including a commitment to continue homelessness prevention funding; increase in central government funding for homeless programmes; a commitment to work with homelessness organisations and in particular focus on prevention; and funding to refurbish hostels and provide low-cost shared accommodation for young people at risk of homelessness. The Government restated a commitment to devolve the funding for temporary accommodation to local authorities, and announced a £5m fund to assist 25 local authorities facing the greatest pressure in moving households out of TA. Twenty-two of the 25 authorities are London boroughs, who will each be able to bid for a sum of up to £200,000.<sup>35</sup>

## **Recommendations**

As much of this report has demonstrated, the complex interactions between homelessness policy, welfare reform and market change have created a highly challenging environment in which to deliver TA services.

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<sup>35</sup> <https://www.gov.uk/government/news/radical-package-of-measures-announced-to-tackle-homelessness>. Accessed 17 January 2015.

- Central Government needs to acknowledge the substantial shortfall that now exists between support for TA available through the housing benefit and the actual cost of service delivery. A reduction in the level of LHA has not led to a reduction in rental costs in this part of the market. More sophisticated interventions are required at central Government level in order to reduce cost pressures on London boroughs.
- London boroughs have created strong precedents for cross-borough co-operation, and it may be appropriate to consider the establishment of a simplified costing framework capable of collecting annual expenditure with a higher level of transparency and robustness.
- An exemption from the Benefit Cap will reduce costs for London boroughs, but only affects a minority of households in TA. A higher priority is to address the restricted level of LHA subsidy, which affects all households in TA. The statement made on TA in the Comprehensive Spending Review signals the possibility of change in the administration of the subsidy, but does not mention an increase in the overall level of LHA payable on TA tenancies.
- It may be that a single unified system of procurement for local authorities making use of the PRS, and using the standard LHA rate, would remove competition within and between boroughs for property at the bottom end of the PRS.
- Discretionary Housing Payments constitute a valuable but minor contribution to meeting the costs of TA. However, an increase in funding for DHPs cannot automatically be interpreted as a solution to meeting the costs of TA. There is substantial pressure on DHPs to meet housing benefit shortfalls across both the private and public rental sectors, and London boroughs may not prioritise TA in allocating that expenditure. At their current level of funding, DHPs are not resolving the challenges brought by overall reductions in the level of LHA.
- The Comprehensive Spending Review has signalled an intention to de-couple the management element of the TA subsidy from the LHA payment. London Boroughs have been reliant on the management element to offset the shortfalls between the lower level of LHA support for TA and rents in the PRS. Any changes to the TA system as it currently operates needs careful consideration of its likely impact on the TA market, and on boroughs' ability to negotiate that market.

- It is evident that close working between boroughs can lead to effective management of the TA market. It is evident that this market is highly responsive, and so thorough consultation across all boroughs should take place before new initiatives are introduced that are likely to carry a cross-London impact.
- Similarly, boroughs should undertake a thorough and open review of their incentive practices, in line with recent developments on nightly rate setting.
- London boroughs should be allowed wider freedoms to pursue innovative solutions to the creation of accommodation specifically for use as TA. Boroughs are already exploring alternative funding frameworks, which should be given some degree of Central Government support as measures to contain TA expenditure.
- The DCLG should undertake a close review of procurement of privately rented property by London boroughs for PRSOs. A commitment to ensuring long-term sustainability of those tenancies would reduce the incidence of homelessness as a consequence of the ending of an assured shorthold tenancy in the PRS.
- Housing associations have withdrawn from the TA market, reportedly as a consequence of a drop in the level of TA subsidy to support management costs. Long-term lettings at the lower end of the PRS often require 'social' management mediation to offset the risks that private landlords feel are integral to the housing benefit market. A return by housing associations to the TA market could bring stability and price deflation.

## Conclusions

For a number of years, central government support for TA has presumed that it might be possible to contain housing costs through reducing the availability of subsidy. In London, with a rapidly expanding and increasingly expensive PRS, that measure is simply ineffective. It is evident that those costs have not been contained. Rather, an increasing proportion of the expense is being met by London boroughs through recourse to their General Fund. This activity obscures the actual cost of TA, which is becoming difficult to monitor. This obfuscation also works to mask the impact of Welfare Reform, which is undermining the viability of the bottom end of the PRS in the London. Transferring TA demand out of London does not constitute a

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long-term solution. As out-of-borough demand increases, TA providers in those places are already beginning to destabilise local markets.

In order to make the bottom end of the private rented sector a feasible housing solution for low-income households, Local Housing Allowance must be responsive to market change. The alternative is an increasing recourse to boroughs' General Fund to meet inflated TA costs. This represents a poor deal for the taxpayer, and – with its possible inflationary impacts on the unmediated PRS – threatens the affordability of the sector to all low-income households, irrespective of their level of reliance on LHA.

## Appendix One: Guidance note

### The objective of this exercise is to arrive at the net cost to London boroughs of temporary accommodation provided under the Housing Act, 1996 to discharge a homelessness duty in the financial year 2014-2015

This note accompanies the spreadsheet 'TA survey spreadsheet #1'

#### **Exclusions**

All calculations must exclude households accommodated as No Recourse to Public Funds cases, where their housing has been arranged outside the TA system.

All calculations must exclude properties procured to meet PRSO need.

#### **Total number of placement days/weeks**

Calculations are based on **the total number of days/weeks' placements** procured to meet TA need. *The aim here is to arrive at the number of weeks/nights that were paid for in total in 2014-15, irrespective of the length of individual tenancies or the overall number of placements that were undertaken.*

#### **Total rent liability**

This is the **total rent** you were liable to pay on the total number of days/weeks' placements made in 2014-15. This figure includes all the rent charged on tenancies created to meet TA need, and procured by the local authority irrespective of whether the tenancies were created within LA stock and so payable to the local authority.

#### **A: Property supported by the Housing Revenue Account**

This section includes all the property owned by the local authority and supported under the Housing Revenue Account (HRA). *This section covers instances where the local authority may be using its own stock – eg pre-regeneration stock – to meet TA need. The calculation needs to distinguish costs that are absorbed by the HRA, even where the financial outcome is neutral.*

#### **B: Property supported by the General Fund**

This section includes all the property owned by the local authority supported by the General Fund rather than the HRA. *This section covers instances where the local authority may be using converted buildings and new developments to meet TA need, funded through the General Fund rather than within the HRA and including returns under Lines 41 and 45 of the Revenue Outturn.*

#### **C. Property procured from the private sector/RSLs**

Include here all properties procured from the PRS, including those leased via a RSL and leased directly from RSLs. *Include here returns under Lines 40, 43, 44, 46, and 48.*

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## D. Property purchased on a nightly basis

Here log all properties where procurement is set at a nightly rate, including B&B and 'nightly rate' emergency accommodation. *Include here returns under Lines 39 and 42.*

## E. Calculation

This part of the spreadsheet requires global figures from the TA 'rent account', relating to income and expenditure for 2014/15.

### Expenditure

The spreadsheet will automatically insert rent liability totals from parts A-D.

Figures for incentive payments on TA procurement only should be included here.

*Incentive payments are defined as any one-off payments to a landlord as an incentive so that their property can be used by the local authority for TA purposes. Also include any single payments to renew leases.*

Insert here the support costs as calculated for the Revenue Outturn. *Insert the costs from Line 50. The total will calculate 30 per cent of that cost, as being estimated expenditure on TA activity alone.*

Insert here the administration costs as calculated for the Revenue Outturn. *Insert the costs from Line 47. The total will calculate 30 per cent of that cost, as being estimated expenditure on TA activity alone.*

### Income

From the TA rent account, indicate all housing benefit income accruing to claimants in TA placements. *This income will include claims made using the TA formula of LHA @ 90 per cent plus £40 a week.*

*Recovered tenant contribution. Many tenancies will carry a shortfall for one or more reasons: where the rent is higher than the LHA; where the benefit cap has curtailed the amount of LHA a tenant can apply for; where the charge being made includes non-rent elements, for example, utilities and/or meals; where the tenant has earned income or capital above the means tested limit.*

*DHP contribution to support TA tenancies. Discretionary Hardship Payments may be made to support tenants in circumstances deemed to be exceptional by the local authority. Include here any DHP payments made specifically to offset shortfalls for TA households.*

### Cost to local authority

This cost calculates the difference between expenditure on TA and income from central sources. The final figure will include shortfalls in rent, voids on leased

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property, and the 'bad debt' of unpaid rent by tenants. All these costs will have to be met by the local authority from the General Fund.

**F. Your TA population in 2014/15**

In order to assess your scale of operation and to benchmark changes in demand according to household size, this section asks for a simple breakdown of the nightly and weekly procurement by household size. Totals here should match the total nightly and weekly placements in sections A-C and D.

## Appendix Two: Spreadsheet

### ESTABLISHING THE COST OF TEMPORARY ACCOMMODATION TO LONDON BOROUGHs

Name of person co-ordinating the survey response

Telephone number

Email



#### 1. Total property charges for all property let to households in meeting requirements of the Housing Act, 1996, in the financial year 2014-15

Note: enter data in the blue cells only. The spreadsheet will produce the final calculations in the pink cells.

**NB: Exclusions**

No Recourse to Public Funds cases

All Private Rented Sector Offer cases

Total number of placement weeks

Total property charges, 2014-15 (excluding voids)  
£,000's

#### 1A: Property supported by the Housing Revenue Account

All property owned by the LA, under the HRA

0

£0

#### 1B: Property supported by the General Fund

Hostels (non-HRA support)	0	£0
Accommodation within the local authority's own stock (non-HRA)	0	£0
<b>1C. Property procured from the private sector/ RSLs</b>		
Private managed accommodation leased by the authority	0	£0
Private managed accommodation leased by RSLs	0	£0
Directly with a private sector landlords	0	£0
Other temporary accommodation	0	£0
Accommodation within RSL stock	0	£0
Total non-rent payments for PRS property procured for TA		£0
<b>Total</b>	<b>0</b>	<b>£0</b>

**1D. Property purchased on a nightly basis**

Total number of placement  
nights

Total property charges  
2014-15 (excluding voids)  
£,000's

Bed and Breakfast accommodation	0	£0
Other nightly paid, privately managed accommodation	0	£0
Total	0	£0
<b>2. Calculation</b>		
<i>Expenditure</i>		
Total property charges		£0
<b>2A. Total expenditure on void properties</b>		£0
<b>2B. Costs of support</b>		£0
<b>2C. Costs of administration</b>		£0
<b>2D. Expenditure in support of bad debt</b>		£0
<b>2E. Total management expenditure unfunded by TA subsidy</b>		£0
	Total	£0
<i>Income</i>		
<b>2F. All HB income</b>		
<b>2Fi. All rental income at 90 per cent LHA</b>		£0
<b>2Fii. Management income retained from TA subsidy</b>		£0

Total £0

**2G. Recovered tenant contribution in 2014-15**

£0

**2H. DHP contribution to support TA tenancies**

£0

Total £0

Cost to local authority £0

**3. Your TA population in 2014-15**

Number of weeks' placements of households in:

1 bed	0
2 bed	0
3 bed	0
4 bed+	0
<b>Total</b>	<b>0</b>

Number of nights' placements,

in nightly-charged accommodation only, of households in:

1 bed	0
2 bed	0
3 bed	0
4 bed+	0
<b>Total</b>	<b>0</b>

## Appendix Three: Some indicative costs

Some indicative costs

**Note that TA services are generally nested within these costing elements, and so constitute a proportion of the given expenditure**

Cost element	Information source	Source	Number of boroughs included	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Incentive payments including TA	FoI request	H. Spurr (2015) 'Councils spend £18m on 'sweeteners' for private landlords	28	-	3,583,275	6,843,928	7,282,936
Administration and support: all homelessness services	Revenue Outturn Data	DCLG Revenue Outturn Data for Local Authorities (Table RO4)	33	91,869	95,782	128,420	-
Prevention: all homelessness services	Revenue Outturn Data	DCLG Revenue Outturn Data for Local Authorities (Table RO4)	33	25,086,000	27,005,000	39,817,000	-
TA expenditure excluding admin, support and prevention	Revenue Outturn Data	DCLG Revenue Outturn Data for Local Authorities (Table RO4)		404,528,000	428,767,000	449,035,000	
DWP subsidised expenditure on TA	DWP	Housing Benefit and Council Tax Benefit DWP subsidised expenditure by LA district	33	330,050,000	374,240,000	418,410,000	452,670,000

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## **Appendix Four: Innovation in meeting TA need: case studies provided by London Councils**

### ***LB Croydon: Real Lettings***

LB Croydon is working with Real Lettings: a social lettings agency run by St Mungos Broadway. The agency has funding from social investors including significant investment from Croydon Council to purchase properties through the Real Lettings Property Fund. The fund owns the properties, Real Lettings leases the homes from the fund, and after seven years the investors have the option to take the full return on their original investment. The fund pays a dividend to the investors through the lease. Croydon has a nominations agreement on a significant number of the properties.

The aim of the scheme is help people who are risk of homelessness to lead independent lives. Tenants receive practical advice and this is complemented by coaching support to maintain their tenancies and develop the skills they need to move on in a planned way. The agency also provides an advice line and ‘home’ visits to help tenants avoid arrears and boost future move-on options. In addition to this work, the Real Lettings portfolio also includes an innovative empty homes scheme that is designed to bring homes in disrepair back into social housing use as well as a private rented sector ‘home finder’ scheme for people at risk of becoming homeless.

### ***LB Enfield: Housing Gateway Limited***

In 2014 London Borough of Enfield secured a loan to set up a wholly owned local authority housing company called Housing Gateway Limited. The purpose of the company is to acquire and manage a property portfolio to support homeless households who would otherwise have been in temporary accommodation or in some cases expensive nightly paid accommodation. Enfield is keen to ensure that local properties are allocated to local people to support their housing needs.

Housing Gateway Limited is responsible for the identifying properties and undertaking any necessary renovation needed in order to bring the properties up to the required lettings standard also providing an ongoing property management service. Enfield has full allocation rights to the properties, which are well managed and maintained and of good quality with the company charging LHA rents to ensure the homes available are at affordable rent levels. The goal is then to work with the families to find a more permanent housing solution and to provide support to get them into employment. Housing Gateway Limited will provide a focus on buying existing properties but could, in the future, fund the building of new developments to increase housing supply in the borough. Over a five-year period the council aims to make significant savings on its temporary accommodation budget and at the same time provide support to households who wish to secure into more sustainable accommodation.

### ***LB Ealing: Reducing the need for bed and breakfast accommodation***

In 2013 LB Ealing sought approval to a number of measures to reduce cost pressures on the Council, mitigate households in temporary accommodation and reduce the need to put families in bed and breakfast accommodation. One of schemes aimed to increase hostel provision for use as emergency accommodation by identifying and leasing a suitable residential site in the borough to provide accommodation for up to twenty households.

The borough also agreed to enter into an agreement with a property owner for a period of up to 10 years to increase hostel provision in the borough. These properties will be leased at rent levels not higher than current subsidy levels with the council's in-house management and maintenance team looking after the properties at minimal cost. The council agreed to contribute to the refurbishment of the properties to ensure they met with the council's quality standards. The scheme will be cost neutral for the borough.

Also LB Ealing agreed to approve the sum of £1.155million for the purchase and construction of 20 modular type units on council owned land for the provision of hostel type accommodation in the borough. The units which take up to 3 months to order construct and complete and will consist of 4 person units which each have their own communal facilities such as cooking and a laundry area but with

individual en-suite shower facilities. All units will be constructed off site and to very high standards.

### ***LB Lewisham: Providing Temporary Accommodation on Vacant Land***

Lewisham Council has embarked on a new approach to increasing the supply of temporary accommodation on vacant development land. The need to source additional units for use as temporary accommodation has arisen as the borough is seeking to tackle a huge increase in homeless acceptances up by 76% from 2010/11 to 2014/15 against a backdrop of a falling number of available properties to let in the private rented sector.

Lewisham is looking to make available homes constructed off-site using modern construction technologies for use as temporary accommodation. These structures can be deployed on vacant sites and are flexible enough to be used for a range of future uses while longer term plans are being developed. The cost and return on investment is attractive with the scheme generating savings for the council over the long term or by paying for itself in 8 years. This is principally due to savings made from moving households out of bed and breakfast accommodation. The intention is that after a period of time the structures can be dismantled and moved to another location within the borough. The temporary structures are due to be assembled shortly with the units occupied by the end of the year.

### ***LB Wandsworth: Providing improved temporary accommodation through joint working with Housing Associations***

The LB Wandsworth has an active programme of acquisition and conversion of existing property to provide affordable self-contained temporary accommodation to meet what has been an increase in demand for temporary accommodation from statutory homeless households. As part of a property sale by two local Housing Associations, there was a land swap with the Council of two buildings, formerly used as a care home, sheltered and/or general needs social rent housing that was no longer fit for purpose. On the land provided by Wandsworth Council, one of the Associations has subsequently delivered a state of the art extra care scheme on the purchased land. To provide self-contained temporary accommodation and to meet the significant increase in demand for temporary accommodation the vacant buildings will be used by the Council to provide 17 one bed, 14 two bed, 6 three bed, 9 four bed and 2 five bed properties, 48 units in total. The estimated cost of the

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works required is £1.9 million. The scheme will offer improved quality self-contained and in-borough accommodation for households owed one of the homelessness duties, who may well have been accommodated in less suitable and more expensive units, such as nightly paid annexes. Other short term housing uses may well have been considered for these buildings (which were in a designated Cross Rail 2 safeguarded area) to meet a broader range of housing needs if the Borough had not seen the rise in demand for temporary accommodation.