APPENDIX 3

Accommodation Procurement Policy for Homeless Households

Section 1: Introduction and Scope

1.1 This policy sets out:

- Challenges facing the council in procuring accommodation for homeless households, both for temporary accommodation and for private rented sector offers ("PRSOs") to discharge the council's homelessness duties (see below for a detailed explanation of the differences between them).

- The general principles that will be followed when procuring private accommodation for homeless households.

- An estimate of the number of properties that are needed for these purposes and an action plan for meeting these needs.

1.2 This policy replaces the existing Temporary Accommodation Strategy 2013. It will be monitored and formally reviewed after it has been in operation for 12 months and annually thereafter.

1.3 **Temporary Accommodation** comprises two forms of accommodation. First, emergency accommodation (called stage 1), for use whilst a household's homeless application is being assessed. Secondly, there is longer-term, (stage 2) accommodation. This accommodation is for households where the council has accepted a housing duty to them and is provided until suitable longer term accommodation is available.

1.4 Local authorities secure the great majority of temporary accommodation by leasing properties from the private sector. Stage 1 accommodation is generally 'nightly-booked' as it is only intended to be for short periods of time and is generally more expensive than longer term Stage 2 accommodation. The council has arrangements with around 30 organisations including registered providers (housing associations) to provide Stage 2 accommodation.

1.5 **Private rented sector offers ("PRSOs")**
These are offers made by the council to homeless households where it has accepted a housing duty to them of private rented accommodation on the basis of a fixed term Assured Shorthold Tenancy for not less than twelve months. The council has decided to make these offers to provide people with sustainable and affordable more settled accommodation as an alternative to a long wait in temporary accommodation for social housing.

Section 2: Procurement challenges

2.1 There are severe constraints on the amount of temporary accommodation that can be procured from registered providers or by direct purchase, and it is likely that the Housing and Planning Act 2016 will further restrict these areas of supply. While the council will continue to pursue such opportunities where they are available, a key component in the council's procurement strategy is accommodation sourced from the private sector.

2.2 The council aims to procure as much private accommodation for homeless households in Westminster - or as close to it as practicable – as it can. This is the best way of helping households to remain in their communities and to enable the council to meet its legal duty to house homeless households in Westminster wherever "reasonably practicable".

2.3 However all local authorities are finding temporary accommodation increasingly difficult to procure to meet increasing demand, as the private sector rents increase and the number of landlords willing to let to households on benefits is reducing.

2.4 Securing private rented properties which are affordable to homeless households in Westminster is extremely (and increasingly) challenging. Private rents here are amongst some of the most expensive in London[1] (and, indeed, the United Kingdom as a whole) and the majority of homeless households have low incomes. Currently at least 92% receive Housing Benefit. Of the households in temporary accommodation, 170 are affected by the overall benefit cap and 65% of these receive Discretionary Housing Payment, which is a temporary payment towards the shortfall in rent.

2.5 Table 1 shows the difference between allowable temporary accommodation subsidy rates and Local Housing Allowance (LHA) levels compared with rents in Westminster. The gap is most pronounced for larger bedroom properties.

[1] They are behind only Kensington and Chelsea and the City of London according to Hometrack in March 2016

Table 1: The relationship between private rents in Westminster, temporary accommodation subsidy levels and Local Housing Allowance rates (LHA)				
Beds	**1**	**2**	**3**	**4**
Lower quartile rents per week - Westminster[2]	£365	£481	£675	£898
Central London LHA rate	£260.64	£302.33	£354.46	£417.02
Maximum temporary accommodation subsidy allowance	C£370	£500		
The overall benefit cap for non-working single people and couples is £296.35 per week and £442.31 per week for families in London				

2.6 Considerable work has been done to procure and to retain as much temporary accommodation within (or as close to it as practicable) Westminster as possible. The figures in Table 2 show the council's current stock of temporary accommodation and its location - 50% of it is in Westminster and 50% is outside (although 94% of this is in Greater London).

Table 2: Location of Westminster's temporary accommodation		
	No	**%**
Westminster	1,221	50%
Inner London	615	25%
Outer London	510	21%
Between Outer London and the M25	6	<1%
Outside the M25	70	3%
	2,442	

2.7 However, rising rents and a very competitive market locally and in London is making it harder to procure new properties here or nearby. Our experience is that, given the current demand for rented property, when current leases end (both in Westminster and in Greater London more widely), landlords often move into new markets for which they can achieve higher rents. The result is that emergency nightly booked is being used for longer periods after a housing duty has been accepted; this is helping to drive up the cost of temporary accommodation (although it should be noted that costs of longer term leased accommodation are also increasing).

2.8 Rising homelessness levels across London[3] and the resulting growth in demand have led to an increasingly competitive temporary accommodation market in London and the South East. Most London boroughs face similar challenges and are finding few properties with rents that are within allowable subsidy levels and at

[2] GLA Rents Map Information March 2016

[3] Homelessness Monitor: January 2016 at pp.58-61. Crisis

LHA rates more difficult to procure. A recent report commissioned by London Councils highlights this issue, and reports a rise in homelessness acceptances across London by 77% between 2010 and 2014[4].

2.9 Further procurement challenges include:

- The reduction in the household benefit cap for non-working households (from £26k to £23k in London for families and couples and from £18k to £15.4k for single people) will make it harder for all boroughs to find affordable private rented accommodation for non-working households. Nine hundred households in Westminster are estimated to be affected.

- There is uncertainty over the future subsidy regime for temporary accommodation.

- When the transfer to Universal Credit occurs, it is likely that the council's "in borough" temporary accommodation may become unaffordable to the households that occupy it, as the rent element of Universal Credit could be based on current LHA levels, rather than 90% of 2011 levels, which is currently the case. Current LHA levels are lower than 2011 rates and they will also be frozen for four years from 2016/17.

Section 3: Procurement principles

3.1 The following principles will apply when procuring properties for both temporary accommodation and private rented sector offers:

- The council will act to ensure it is compliant with all relevant legal obligations and have regard to all relevant legal guidance.

- The properties need to be affordable and sustainable in the longer term to the households that occupy them so they are within benefit levels and temporary accommodation subsidy rates. This will give homeless households the best opportunity to settle in an area and the lowest likelihood of them having to move again.

[4] Temporary Accommodation in London: February 2016. Centre for Housing Policy, University of York

- Regard will be had to the Pan London Agreement on Inter-Borough Accommodation Placements dated 8 March 2011. This aims to ensure that where a borough is placing a household in temporary accommodation they will not offer the landlord more than the receiving borough would.

- Landlords may on occasions be offered incentives above temporary accommodation subsidy rates or LHA levels in order to procure properties to prevent homelessness - and where the practice will help secure longer-term savings. Where these incentives are offered the council will not offer more than the host borough if the properties are outside Westminster.

- The affordability of properties will be a key factor when procuring properties. Properties should be cost neutral to the council and within allowable subsidy rates or benefit levels in order to meet budgetary targets. Over the past two years, temporary accommodation has cost the council £4 - £5m per annum as it has not been possible to procure properties within the subsidy rate.

- Where the council is procuring properties outside Greater London it will, as far as possible, focus on more urban areas whose diversity so far as practicable reflects that of Westminster and so are likely to have more facilities and support networks for people from Westminster with particular protected characteristics. Evidence of the scope and range of employment opportunities will also be taken into account.

- To support delivery against these principles, independent research was commissioned by the council to better understand where there may be affordable properties[5]. Chart 1 shows the areas that were looked at and table 3 summarises the results.

- *NOTE: The findings do not mean that properties <u>can/will</u> (or cannot/will not) be procured in these areas at any given point in time, as they only represent rents at the time the research was carried out and procuring properties depends on a range of factors such as landlords' willingness to enter into agreements with the council and to rent their properties to homeless households. They do however give an indication of where the council should focus its efforts when seeking properties. They support the conclusion that it is unlikely to be reasonably practicable to procure enough private properties to meet need in and around Westminster and that the council will have to look further afield.*

[5] Westminster City Council Private Rented Sector Market Analysis 2016: Inside Housing Solutions Ltd

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Chart 1: Private rental markets – areas researched 2016 by Inside Housing Solutions

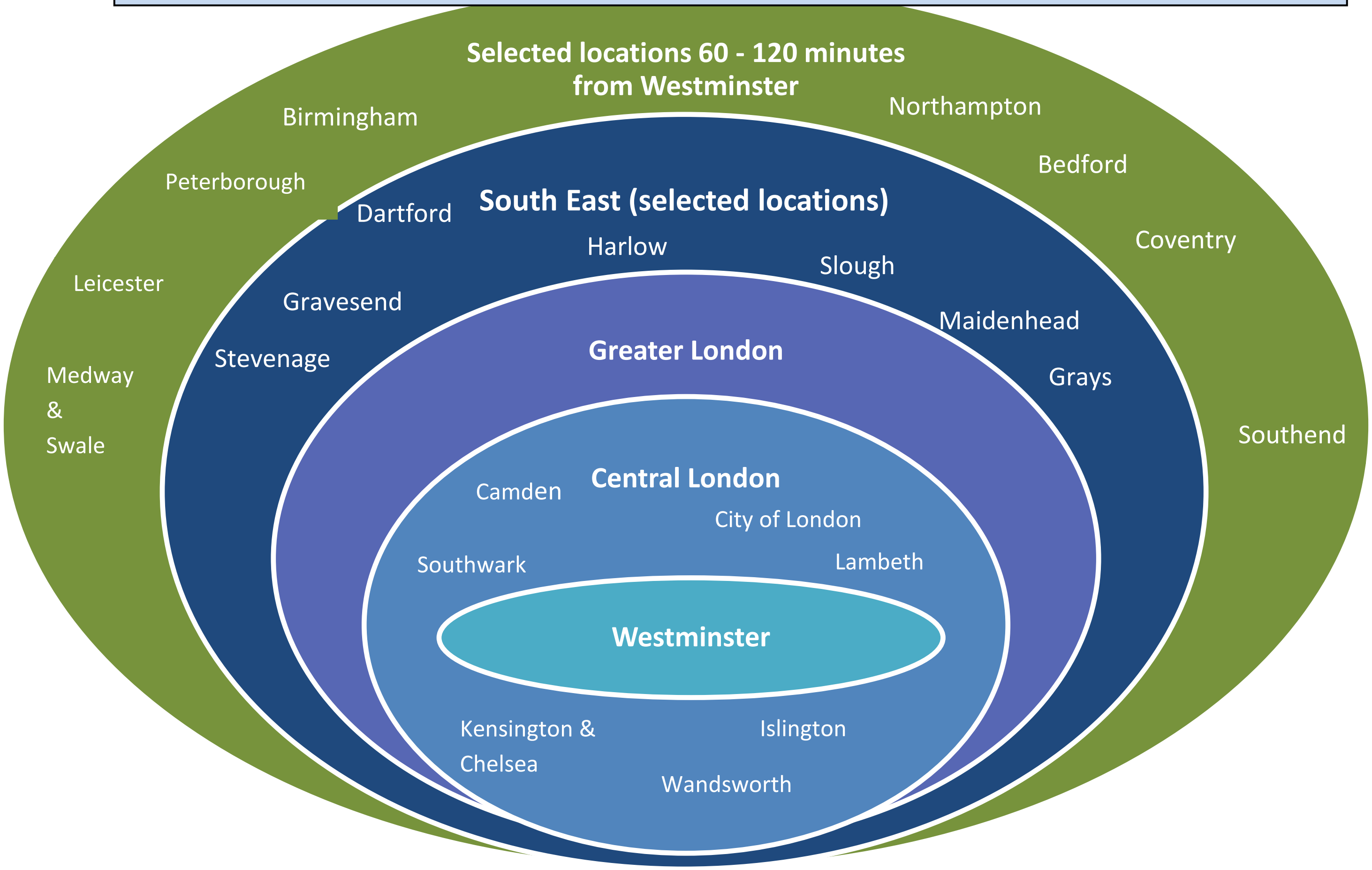

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Table 3: Summary of the research findings into affordable private rental markets carried out by Inside Housing Solutions 2016	
Westminster	• Some procurement opportunities may exist for 1 and 2 bedroom properties for temporary accommodation in specific postcodes, but there are unlikely to be any for larger properties. The housing that is available is unlikely to be affordable to households affected by the overall benefit cap, where it will be occupied by more than 1 adult and 1 child • There are unlikely to be any procurement opportunities for private rented offers
Central London • **City of London** • **Camden, Lambeth** • **Kensington and Chelsea** • **Wandsworth, Southwark, Islington**	• Some procurement opportunities may exist for 1, 2 and possibly a small number of 3 bedroom properties for temporary accommodation in specific postcodes • There may be some limited procurement opportunities for 1 and 2 bedroom properties for private rented sector offers, but none for larger properties • For both of the above, properties are unlikely to be affordable to households affected by the overall benefit cap where occupied by more than 1 adult and 1 child
Greater London • **From central London to the M25**	• While the research only identified a small number of procurement opportunities in limited areas for both temporary accommodation and private rented offers, it suggests there may be micro markets where opportunities exist in certain parts of Croydon, Enfield and Kingston. It also indicates that properties may only be available if incentives are offered • For both of the above, 3 and 4 bedroom properties are unlikely to be any affordable to households affected by the overall benefit cap and affordability reduces for 2 bedroom properties for temporary accommodation, where occupied by more than 1 adult and 1 child
Selected locations in the South East • **Dartford** • **Gravesend** • **Stevenage** • **Grays, Harlow** • **Slough, Maidenhead**	• **Some procurement opportunities for temporary accommodation may exist in Slough and Maidenhead for 1, 2 and 3 bedroom properties** • **Procurement opportunities for private rented offers is likely to be limited across all bedroom sizes in the above areas and mainly only with the use of incentives** • **For both of the above, properties may not be affordable to households affected by the overall benefit cap where they are occupied by more than 2 adults and 1 child**

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Selected locations 60 – 120 minutes from Westminster • **Coventry** • **Northampton, Peterborough** • **Bedford, Leicester** • **Medway & Swale** • **Birmingham, Southend**	• **All of the areas offer some procurement opportunities for temporary accommodation and private rented offers in most bedroom sizes. Coventry, Birmingham and Leicester offer the best opportunities** • **There are likely to be fewer opportunities for private rented offers and mostly with the use of incentives for landlords** • **For both of the above, 1, 2 and some 3 bedroom properties for smaller households are likely to be affordable to households affected by the overall benefit cap**

Section 5: Estimating and meeting need

5.1 **Temporary accommodation demand**

Demand for temporary accommodation comes from new households that are accepted as homeless and households that need to move within temporary accommodation (because they are overcrowded, for example). Homeless demand in the longer term is difficult to predict as it is driven by a complex range of socio and economic factors, including changes to national legislation and policy. At present rising (and so increasingly) unaffordable rents in the private sector in and around Westminster is an important driver. Some 550 acceptances are projected for 2016/17 and acceptances are anticipated to remain high compared with past levels (see table 4) until at least 2020.

Table 4: Homeless demand in Westminster									
	2009/10	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 (estimated)**	**2017/18 (estimated)**
Demand for social housing									
Homeless acceptances	378	430	539	813	705	617	550	550	475 - 575
Households in temporary accommodation	1,957	1,726	1,910	2,450	2,283	2,397	2,400	2,500	2,300 – 2,700
Social supply									
Social lets	963	824	783	790	665	704	791	681	700

5.2 Based on projected homelessness demand; natural churn within temporary accommodation as households move into social housing; and anticipated lease ends as providers move into different markets, it is estimated that the council needs to have a temporary accommodation portfolio of 2,200 – 2,750 properties until at least 2020/2021. The majority of these units will need to be suitable for families, predominantly with two bedrooms.

5.3 **Private rented accommodation for private rented sector offers**

The council is rolling out a policy to offer homeless households private rented tenancies to discharge the council's main housing duty. This is intended to contain temporary accommodation demand and costs and to help give homeless households more sustainable, long-term housing options and avoiding the uncertainty of long waits for social housing.

5.4 **Procurement action plan**

Specific initiatives for procuring both temporary accommodation and private rented sector offers are set out below. An updated action plan will be agreed with the Cabinet Member responsible for housing through the annual Supply and Allocation report.

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Table 5: Action plan for procuring properties for homeless households			
Action	**Target Number**	**Timescale**	**Lead**
Temporary accommodation			
Directly purchase new units • in borough • out of borough	 120 100	By March 2018	Head of Affordable Housing
Make the best use of void properties in regeneration areas by using them for temporary accommodation for as long as possible	70	By March 2018	Head of Major Projects, HRA Strategy Manager, Head of Affordable Housing
Set aside some council voids for the use of temporary accommodation until they are needed for decanting households in regeneration areas	50	By March 2018	HRA Strategy Manager
Work with current and new providers to renew leases and procure new properties	200	By March 2018	Head of Supporting People and Temporary Accommodation
Total	*540*		
Private rented sector offers			
Procure properties	Up to 200	By March 2018	Head of Supporting People and Temporary Accommodation, Head of Affordable Housing
Both			
Investigate innovative new models for temporary accommodation and private rented offers	n/a	Ongoing	Head of Supporting People and Temporary Accommodation, Head of Affordable Housing
The aim is for these units to meet the diverse needs of homeless households and to reflect our demand profile so that 75% are family sized and every effort is made to procure wheelchair accessible/adapted properties (for temporary accommodation)			

Section 6: Monitoring and review

6.1 The impacts of this policy will be monitored and reported on annually as part of the Supply and Allocations report approved by the Cabinet Member with responsibility for housing each year. The policy will be reviewed after it has been in operation for twelve months and the outcome will be reported to the Cabinet Member.