



City of Westminster

Audit and Performance Policy and Scrutiny Committee

Date of meeting:	22 nd October 2024
Title:	Provision and Management of Temporary Accommodation
Report of:	Sarah Warman, Strategic Director Housing & Commercial Partnerships
Cabinet Member Portfolio	Cllr Liza Begum, Cabinet Member for Housing Services
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1. Executive Summary

- 1.1 Temporary Accommodation is the form of housing that Westminster City Council (WCC) provides to people who are homeless or at risk of homelessness, and who are eligible for assistance under the Housing Act 1996 and the Homelessness Reduction Act 2017.
- 1.2 The issue of increasing demand for Temporary Accommodation (TA) is common across the capital with London Councils reporting annual homelessness presentations up by 12% across London at April 2024 and an increase of over 10% in total TA
- 1.3 Westminster has seen an annual increase of 40% in households approaching the Housing Solutions Service for assistance and a 50% increase over the year in placements into TA. The main factors that contribute to the demand are:
 - The high rent levels in Westminster and the surrounding areas of London which are significantly above the local housing allowance (LHA) rates and affordability level for many of the people who are now presenting to the Housing Solutions Service (HSS).
 - The limited social housing in Westminster, which reduces the options for permanent rehousing and the move out of TA for many households.
 - The impact of welfare reforms, such as the benefit caps and the level of rent households can afford who claim benefits.
 - The increase in homelessness due to the cost-of-living crisis, landlords leaving the private sector market or increasing the costs of rent above the threshold families and individuals can afford.
- 1.4 Sourcing good quality private sector properties whether to prevent homelessness or for TA in the current market is very challenging. The demand for TA has outstripped the supply of suitable accommodation and has thus required the use of hotel and self-contained apartment accommodation charged on a nightly rate to meet the Council's statutory obligations to provide emergency accommodation and has led to increased lengths of stay in .
- 1.5 As a result the Council is facing significant challenges and costs in providing TA and supporting the households to move on to permanent housing. The impact on TA occupation increasing during the year is due to several factors detailed in this report.
- 1.6 The provision of TA is a significant financial risk for council, because of the significant gap between the costs of TA currently and the income we receive through the government set TA subsidy regime.

- 1.7 The pressures outlined throughout this report have driven a significant budget risk for 2024/25 with a total budget of £50.2m
- 1.8 The 2024/25 budget position is predicated on a need to source additional units of TA to meet the increased demands set out in the paper (c. 700 units), end the use of expensive nightly booked corporate hotels and apartments (c. 400 units) and the loss of existing leased provision (c. 100 units) making a total of 1200 additional units.
- 1.9 The Council is taking a proactive and strategic approach within a clearly defined governance structure to address the demand for TA. This has been reviewed by Housing Policy and Scrutiny Committee in March 2024.
- 1.10 Our plan to address the TA pressures consists of the following main actions:
- Directly purchasing properties for use as TA as set out in section 7.3
 - Increasing the supply of suitable properties by working with private landlords, Registered Providers, and other partners to secure more leases and agreements for temporary accommodation.
 - Reducing the demand for TA by preventing homelessness and supporting households to access advice and support earlier in the process and to enable the current system of financial incentives to be broader and more accessible in the early prevention of homelessness to help households ahead of a crisis situation.
 - Improving at pace access to TA and social housing through our void processes, improving turnaround times of this accommodation being off-line and available to let this includes a review of our minimum standards to speed up void works.
 - Reducing the cost and length of stay in TA by managing the placements and allocations more efficiently and effectively. We will use a more transparent and fair system, prioritise the most vulnerable and urgent cases, and review the cases regularly.
- 1.11 This report provides an overview of the statutory duties of WCC to provide TA, the pressures from increasing demand and challenges in identifying and securing supply, the financial cost pressures to WCC and the plans for the future delivery.

2. Policy Framework

2.1 The policy framework that determines how TA is allocated reflects the challenges in securing accommodation, which is affordable to households on low incomes, both in Westminster and across London. The Council's overall strategy remains to increase the supply of good quality accommodation available for households in housing need, maximising the availability of this in Westminster and across London.

2.2 WCC has a statutory duty to provide Temporary Accommodation (TA) to the following groups of people where the applicant's immigration status entitles them, and they are:

- People who are homeless and have a priority need, such as families with children, pregnant women, or people who are vulnerable due to age, disability, or other factors with no alternative accommodation that is reasonable to occupy
- People who are threatened with homelessness and have a priority need, and who are cooperating with WCC to prevent or relieve their homelessness.
- People who have a local connection to Westminster (or no local connection elsewhere)

2.3 WCC also has a statutory duty to provide suitable TA, which means that it must meet the needs and preferences of the household, be affordable, be a suitable size, in a reasonable location and comply with health and safety standards.

2.4 The function for determining homelessness duties and the provision of TA is carried out under contract by the Housing Solutions Service (HSS) delivered under contract by the Residential Management Group (RMG) whose parent company is Places for People.

2.5 When a household is placed into TA following a homeless application there are two types of accommodation provided.

- Stage 1 accommodation is generally offered to households who require somewhere else to live whilst HSS try to relieve their homelessness and pending an assessment of a homeless application. It is short-term emergency accommodation which allows for a comprehensive assessment of the household circumstances so that the Council can prevent homelessness wherever possible and consider whether it has a full statutory housing duty under housing legislation. Much of this emergency

accommodation the Council has had exclusive availability for some time with the owners. However, the pressures on supply of all accommodation has increasingly led to the use of short-term nightly booked accommodation for longer periods to meet emergency need and until suitable longer-term accommodation is available

- Stage 2 accommodation is longer term, more settled TA which is provided where we are unable to relieve homelessness and we have a main homelessness duty until the household moves into social housing. This accommodation is either leased from private sector owners through RP partners, directly from private management organisations or purchased directly by the Council.

2.6 The policies that determine how properties are procured and allocated are:

- The annual *Supply and Allocation of Social housing Report* (<https://www.westminster.gov.uk/media/document/social-housing-supply-and-allocations-2023-24>) reviews the demand for and supply of social rented housing and low-cost home ownership and considers supply and demand projections for the coming year, The report sets out projected supply and the proposed allocation of social housing for the next year. This reflects the demand from homeless households for social housing.
- The *Accommodation Placement Policy* ([Homelessness policies | Westminster City Council](#)) prioritises homeless households in three location Bands (Band 1 is Westminster and adjoining boroughs, Band 2 is Greater London and Band 3 is anywhere outside Greater London.) Given the limited supply of properties the criteria for Bands 1 and 2 were based around health and welfare needs which were agreed with Adults, Children's Services and Counsel. This needs-based approach helps to ensure those with the highest welfare needs have the best chance of remaining in Westminster with every household having a Personal Housing Plan as a legal requirement.
- The *Accommodation Procurement Policy* sets out the challenges in obtaining sufficient TA, which is affordable to households (within benefit levels) and to the Council (within TA subsidy levels). It includes an action plan to provide sufficient accommodation to meet demand and the principles the Council will follow when procuring private sector properties.
- The Housing Allocations Policy is currently under review and a revised policy will be launched later in 2024.

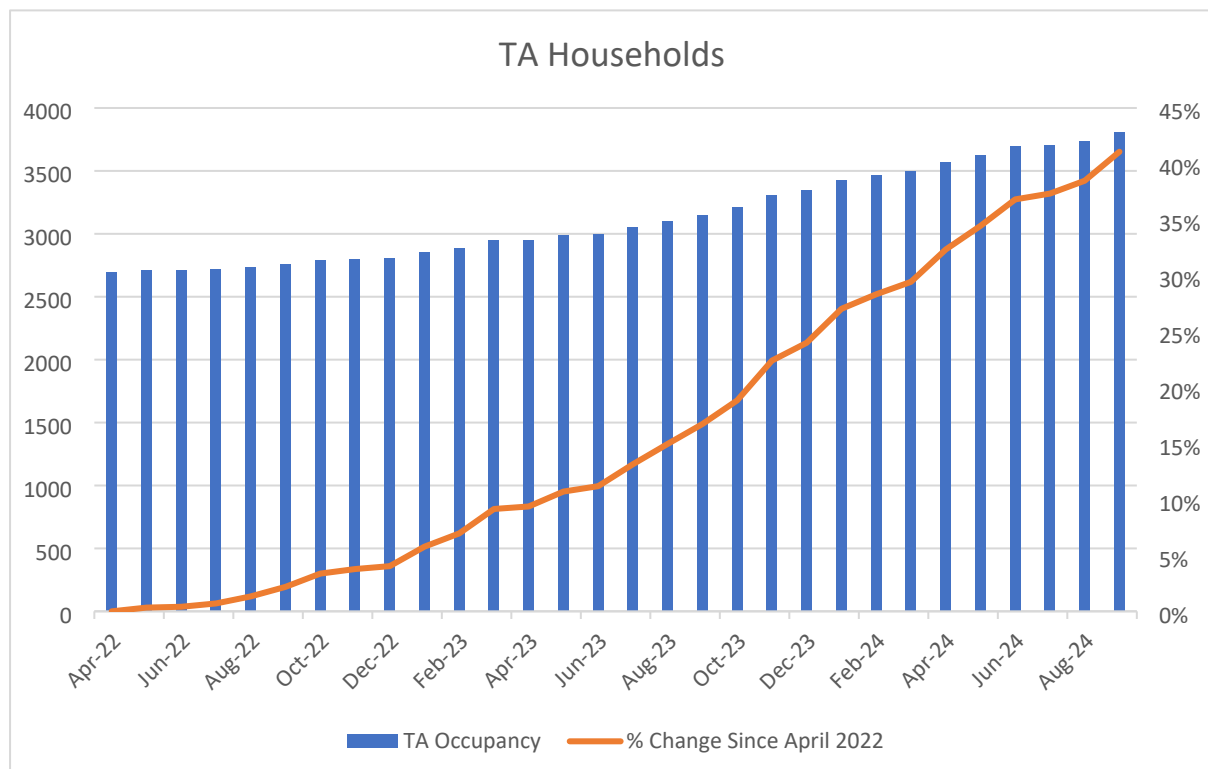
3. Temporary Accommodation Demand

3.1 Westminster continues to experience demand for accommodation as replicated across London as the epicentre of the national homelessness crisis. London Councils estimate that 1 in 50 Londoners are now homeless, with a rapidly escalating homelessness crisis being driven by structural changes within its private rented sector.

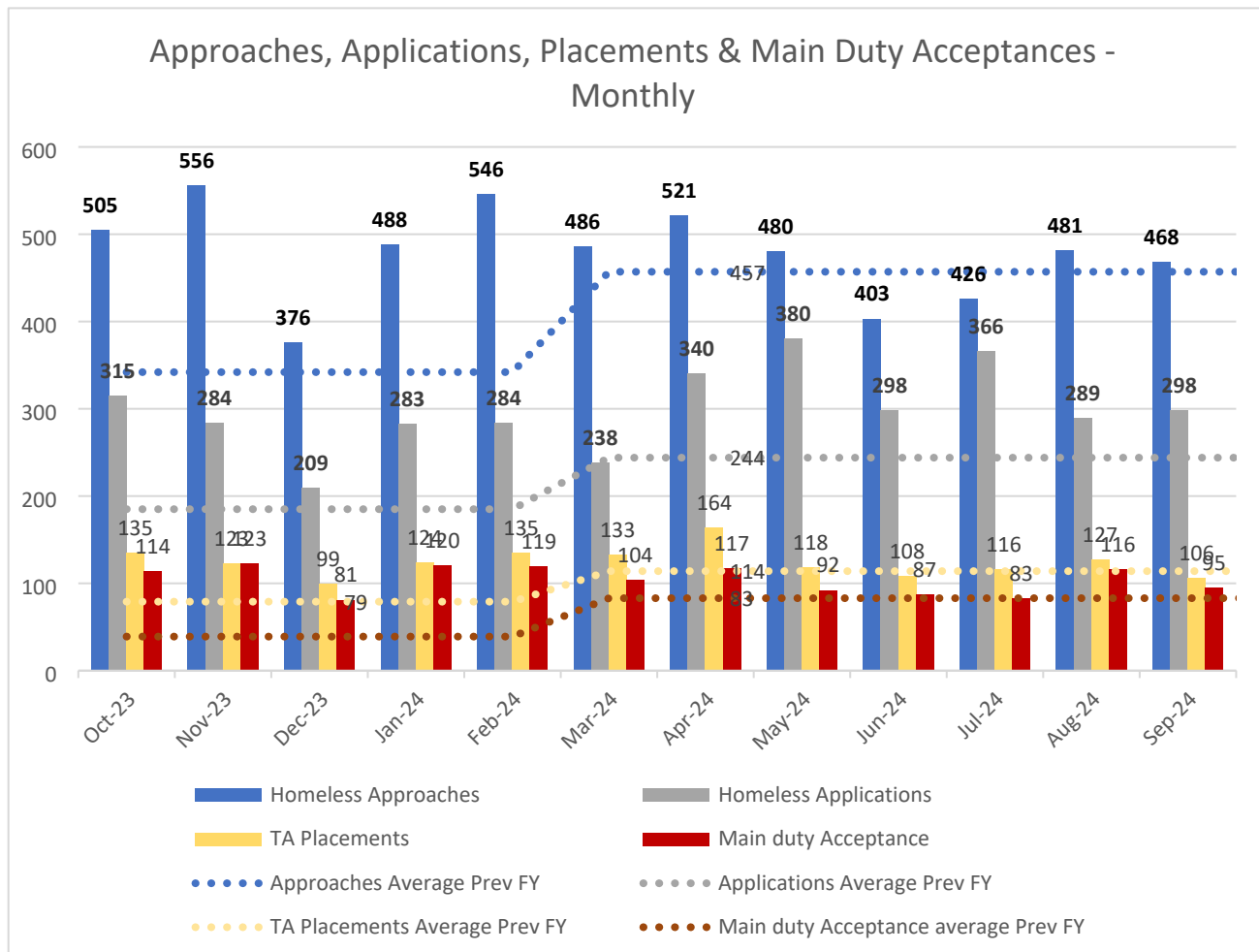
3.2 London Councils report that new private rented sector lets are down 41% compared to the pre-covid average (because tenants are staying longer in properties) and landlords appear to be exiting the market and rents are now more than 20% higher. In addition 21 boroughs surveyed reported that the number of landlords serving notice on TA properties had increased by over 75% in the year to April 2024.

3.3 The demand for TA is complex. Most, but not all, households who approach WCC as homeless are placed into TA. This excludes those cases where we can negotiate additional time to stay or prevent homelessness where someone is staying with friends or family or privately renting. In addition to this a very small number will not be provided TA pending a full decision, but this is exceptional.

3.4 The chart below sets out the change in total TA since 2022.



3.5 The information detailed at chart 1, highlights that in September 2024, TA numbers had reached over 3800 households reflecting the increasing number of households in housing need who approach the Housing Solutions Service. (HSS). This is currently an increase of over 25% on TA occupation compared to the same period in 2023.



3.6 The Chart above shows the number of households in terms of the numbers of households who approach HSS for assistance, the number of homeless applications, the number of placements into accommodation of new households and the number of households accepted as homeless.

3.7 The summary of overall change in numbers over the year, highlighting the increases is below

Activity Area	2024/25 year to date (Aug '24)	2023/24	2022/23	% change 2022/23 to 2023/24
Approaches	2311	5479	4098	34%
Applications	2032	3019	2216	36%
New Placements	633	1299	944	38%
Acceptances	495	993	468	112%
Total TA Households	3707	3494	2952	18%

3.8 The demand for TA has been increasing over the years, due to a number of factors such as welfare reforms, rising rents, lack of social housing etc. The three principal causes of homelessness remain as the loss of a private sector tenancy, friends, and family unable to continue to accommodate and households escaping domestic abuse.

3.9 The principal routes to move out of TA is into social housing. Properties are allocated in line with the Council's Housing Allocations Scheme with applicants bidding for properties through Choice Based Lettings. The majority of moves of homeless households into social housing will be into smaller units of studios and one beds which accounts for over 60% of available lettings each year. During 23/24, 353 households with a homeless duty moved from TA into social housing and we project to complete a similar number in 2024/25. This is against the more than 975 households accepted as homeless during the year as set out in the chart above

3.10 A key focus of the work of HSS continues to be to prevent homelessness whether by challenging private sector evictions, supporting households to find and move into alternative accommodation, work to maintain existing living arrangements and using specialist supported housing services. Typically 50 households are prevented from becoming homeless each month.

4. Temporary Accommodation Supply

- 4.1 There are currently over 3800 households occupying TA. These properties are managed by 32 different provider organisations with just over 40% in-borough.
- 4.2 As set out above the requirement for TA to meet the Council's statutory duties has increased significantly whilst the availability of private sector accommodation to meet this has reduced. This is true for local authorities across London who all report significant pressures across their homelessness services. London Councils recently reported to Council Leaders across London that while some of the policy interventions from the November 2023 Autumn Statement will help, much more needs to be done (at greater pace and scale) to address the growing crisis.
- 4.3 Most TA properties are leased for periods of 3-5 years and are generally renewed where demand continues, and properties meet standards. Legal services are currently working to update all agreements. The financial arrangements are set out in section 6 of the report with the principal advantage being that the Council has the ability to offer management and guaranteed rents (albeit below market levels.)
- 4.4 As set out above TA includes stage 1, short-term emergency accommodation used for households who present as homeless and require TA whilst their application is assessed. Much of this emergency accommodation the Council has had exclusive availability for some time with the owners. However, the pressures on supply of all accommodation has increasingly led to the use of short-term nightly booked accommodation, including commercial hotels and apartments for longer periods to meet emergency need and until suitable longer-term accommodation is available. This comprises c. 30% of TA stock
- 4.5 Stage 2 accommodation is longer term, more settled TA which is provided where we are unable to relieve homelessness and we have a main homelessness duty until the household moves into social housing. This accommodation is either leased from private sector owners through RP partners, directly from private management organisations or purchased directly by the Council.

- 4.6 Registered Providers that supply TA to the Council are principally:
- Notting Hill Genesis who primarily lease accommodation in borough from private landlords.
 - A2 Dominion who own properties purchased generally in 1990s and early 2000s specifically for use as TA.
 - Places for People through RMG as providers of the Council's Housing Solutions Service also have a specific function to source and manage some TA. As a result, RMG leases predominantly out of borough properties from private landlords for use as TA.
- 4.7 Private Management companies that either lease accommodation from the private sector for use as TA or own properties directly for use as TA, located principally out of the borough e.g., AJ Bush, Theori, Steff and Philips.
- 4.8 Owners of standalone blocks of accommodation, leased to the Council for TA, e.g. Centrica pension fund own Newman Street block, Abbotts emergency accommodation in Willesden.
- 4.9 Voluntary sector organisations who own properties for use as TA e.g., Look Ahead on Southwark Bridge Road.
- 4.10 The challenges of sourcing additional supply, the reduced availability of private sector accommodation for TA households to move into and the increasing demand pressures set out above has led to increasing use of commercial apartment and hotel accommodation which now comprises c. 195 households, reducing from a peak of over 350 earlier in 2024.

4.11 The table below lists the largest suppliers of longer-term TA which comprises over 75% of total stock.

Landlord	Units
WCC Owned TA (inc. regen areas)	393
Notting Hill Genesis	385
Stef & Philips	351
AJ Bush	350
A2 Dominion	338
Theori	321
RMG Ltd	236
Connect	154
Centrica	76
Housing Britain	75
Westminster Community Homes	50

4.12 The following table breaks down current TA by property size. Most TA is family sized units, 2-bedroom properties accounting for over 1500 units and over 1100 properties being 3 bed or larger.

Bed size	Total
Studio/ 1 Bed	948
2 Bed	1635
3 Bed	790
4 Bed	330
5 Bed +	107
Total	3810

It is noted that 40% of Westminster's TA is located within the borough and the table below breaks down the current provision by borough. 85 properties are located outside of London, principally in Greys (in Thurrock, Essex) and have been in use for over 7 years. The provision of accommodation outside of the borough is reflective of the limited availability of private sector housing, particularly family sized, available to be leased and purchased for use as TA.

4.13 As set out above households who have an accepted homelessness duty live in TA until a social housing units is available and many will move between different units during their stay. There are several reasons for moves between TA and every new household will move at least twice, into the emergency accommodation when they first present and then if accepted into suitable longer term accommodation. Households also have to move due to leases of private sector owned properties coming to an end and the owner not wishing to extend, between hotels as new ones are brought on, as household circumstances change with family sizes expanding or contracting, and given the supply pressures moves into properties that whilst not suitable are out of hotel accommodation pending sourcing a suitable option etc.

4.14 The table below summarises the length of time households have spent in their current accommodation:

Time in Current Property	Households
< 6 months	970
< 1 year	553
1-3 years	941
3-5 years	410
5+ years	936

5. Funding Temporary Accommodation

- 5.1 TA is managed as a trading account reflecting the model set by government for the provision of TA with the Council paying money to suppliers for accommodation and charging households rent for the property, which can be claimed if the household or individual are eligible from Housing Benefit.
- 5.2 The level of charges to households is through a government set formula of 90% of the 2011 Local Housing Allowance (LHA) subject to a cap of £500 per week. Up to 2017 this formula also included a management fee allocation of £40 per week, reflecting the costs of property management. This is now paid through the Homelessness Prevention Grant, which is ring fenced for homeless prevention and TA management activities and is annually paid in lump sum by the Department for Housing Levelling up and Communities.
- 5.3 This formula has remained unchanged since 2011 notwithstanding the increase in private sector market and management costs. As a result, given the statutory duty to provide suitable accommodation and the challenges of sourcing this within the current market, there is a trading deficit on TA, which is a direct cost to the general fund.
- 5.4 When negotiating cost levels with suppliers, the core market advantage the Council has is the guaranteed income from a public body. However, the increasing strength of the private rented sector market has eroded this advantage over time with property owners having a wider choice of tenants.
- 5.5 In addition, larger schemes which provide accommodation for several households e.g. Newman Street which provides 76 self-contained studio units for single households, and Frampton Street (managed by Noting Hill Genesis) with the provision of 24-hour staff cover, reflecting the complex needs of the single homeless and the importance of providing a safe environment. Provision of such management is at an additional cost to the Council.
- 5.6 Most properties are leased for periods of 3-5 years and then renewed. The market has made it increasingly challenging to renew leases on existing properties at the same or on similar terms as when a lease was originally taken out, given the alternatives that owners have and the level of private sector market rents. There are significant challenges procuring affordable TA which meets the needs of larger households, particularly when they have mobility issues.

6 Financial context and strategy for 24/25

6.1 Net spend on Temporary Accommodation (TA) in 2024/25 is budgeted to total £55.5mm. This is broken down as follows:

Funding Source	£m
General Fund Budget	50.573
Homelessness Prevention Grant (HPG)	4.880
TOTAL	55.453

- 6.2 Westminster uses approximately two thirds of its annual HPG grant allocation to fund the provision of TA (along with any one-off in-year grant allocations).
- 6.3 As part of its Medium-Term Financial Plan (MTFP), the Council took steps to mitigate the impact of increased spend on TA in order to meet its statutory duty to set a balanced budget for the current financial year (2024/25). This required an assessment of future demand along with the development of a supply strategy to help the Council manage the cost of TA.
- 6.4 The 2024/25 budget position is predicated on a need to source additional units of TA to meet the increased demands set out in the paper, and the use of expensive nightly booked corporate hotels and apartments and the loss of existing leased provision.
- 6.5 The assumptions above represent a challenging set of deliverables that will be closely monitored. In response to this a Temporary Accommodation Strategic Board has been established chaired by the Strategic Director of Housing and Commercial Partnerships with support from the Director of Housing Needs. Membership includes Executive Director, Finance and Resources, Director of Regeneration and Investment and Director of Assets and Investment.
- 6.6 To support this work, independent consultants 31Ten have been commissioned to provide detailed analysis on the existing TA spend profile and develop a model to predict accurately future spend profile against the range of variables around supply and demand set out above. This will inform projections for budget spend out-turn and forecasting for the MTFP period
- 6.7 **Temporary Accommodation Supply Pipeline**
As above the Council is committed to preventing and reducing homelessness, improving the outcomes for the households in TA and avoiding the use of expensive commercial hotels and apartments. Some of the activities that the Council is undertaking to achieve this include:

Acquisitions

WCC has been directly purchasing properties for use as TA since 2014. Purchasing properties for use as TA provides a supply of good quality accommodation that is directly owned by the Council and thus provides security of tenure for the occupants. As highlighted above, with the majority of TA owned by third party, generally private sector organisations or individuals, as leases come to an end the owner can request the property be returned and thus an alternative property will be required for the household. Properties being in direct Council ownership means that the household will be able to remain in the property in advance of a move into social housing.

- Since 2014 over 350 properties have been purchased and renovated and are occupied by homeless households
- The 2021 – 27 programme, has been significantly expanded to purchase up to a further 270 properties. This brings the total investment to £178.3m, and includes an £85m uplift in budget agreed in 23/24.
- The number of properties has been calculated based on market analysis carried out by consultants of the available pool of properties (segmented by bedroom size and price point). Using the information and considering anticipated refurbishment (void) costs the Council has determined the number of properties it can purchase at a given price point to achieve the target acquisition total. It should be noted that this target is caveated by changing market conditions and will be adjusted for the inflationary pressures we have observed since the analysis has been carried out.
- In addition to the purchase of individual properties, officers are also investigating and taking forward analysis and purchase of available bulk purchase opportunities where a large number of units are available on a site. Such opportunities will be considered and funded by this budget but will be subject to a separate consultation process with the Cabinet Member for Housing Services.
- Aligned to this, a submission for GLA grant funding has been submitted to support the purchase of 42 homes.

6.8 Use of Vacant Regeneration Area Properties

- Over 100 properties owned by the Council have been identified which are suitable for TA placements on our regeneration sites. These properties are anticipated to be available during 24/25. This accommodation is anticipated to be vacant for at least two years until the sites require clearance and an important source of accommodation to support the pipeline of TA.

6.9 Existing Partnerships

- Through the expansion of provision through existing supplier partnerships the target is to achieve more than 300 properties during 2024/25.

6.10 New Hotel Provision

- Over 250 units of new hotel provision to meet new demand and replace the use of commercial hotels and apartments has been delivered across sites in Paddington and Bayswater and securing former Home Office hotels with other boroughs
- The profile of supply is focused on first 6 months of the financial year to respond to demand and reduce high-cost hotels and apartments.
- Once a household moves into this accommodation WCC will secure a package of support to be provided by existing providers to ensure the tenancy is sustained.

7. Temporary Accommodation Inspections and Standards

7.1 The provision of all TA must be suitable for homeless households in terms of size, cost, and location and is a statutory requirement for all local authorities. Every unit must comply with the TA Standards and all the TA Providers are required to meet these standards.

7.2 Once a property becomes void as a re-let and let, the TA Provider must confirm that the property complies with standards and as part of the procedure, a certificate of supply is submitted to Housing Solutions Service including property details e.g. gas/ electric certificates etc. Providers are also required to take photographs/ videos of vacant properties before letting.

7.3 Once a property is let, there is a requirement that properties are inspected by the provider organisation on a regular basis, generally quarterly. Such inspections require arrangements to be made with and the consent of the tenant and provides the opportunity both for the household to raise issues they have and for the supplier to identify and address issues.

7.4 The Council has adopted the Setting the Standard (STS) grading and inspection system as a Pan-London approach to ensure TA, specifically Bed and Breakfast (B&B), Hostels, Houses in Multiple Occupation (HMO) and studio apartments used by local authorities meet minimum quality standards. The project links together a dedicated central inspections team, with a purpose-built STS IT system to share data across the participating authorities.

7.5 The benefits of the programme include annual inspections ensuring that all properties meet a suitable and safe property standard across London,

properties are suspended from use until the provider can demonstrate the requirements have been met, official accreditation with the Setting the Standard's guidelines and Performance reports on outcomes.

- 7.6 Officers also receive details of inspections undertaken across other boroughs which is helpful in seeing any quality issues elsewhere for organisations supplying Westminster with properties and whether issues with property quality are more widespread
- 7.7 As part of the HSS contract, there is a team of inspection officers that annually inspect properties per year and are expected to complete c. 750 inspection visits this year. This team also responds to specific enquiries and complaints (in addition to the response by the provider organisation themselves).
- 7.8 Following the Setting the Standards property inspection grading system each property is graded A-E with grades D and E considered unacceptable and requiring urgent or immediate resolution. Typically less than 10% of properties inspected are below grade C.
- 7.9 Where such disrepair is identified the provider organisation is required to complete the remedial works as a matter of urgency and where this is not completed and/or where it is not reasonable for the household to continue to reside at the property then the household will be moved to an alternative property
- 7.10 With the Setting the Standard inspections c. 25% of the total TA stock is inspected a year

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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