

Contains Confidential or Exempt Information	YES (Part) Confidential appendix A
Title	Increasing the supply of tenancies in the private sector for targeted prevention work - Scoping the Options
Responsible Officer(s)	Executive Director, Regeneration and Housing, Tony Clements
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Portfolio(s)	Regeneration and Housing
For Consideration By	Cabinet
Date to be Considered	16 th October 2018
Implementation Date if Not Called In	29 th October 2018
Affected Wards	All
Keywords/Index	Accommodation, temporary accommodation, homelessness

Purpose of Report:

This report provides a strategy on various accommodation options available to the council to meet our homelessness duties.

1. Recommendations

That Cabinet:

- 1.1 Note the Strategic Business Case provided in confidential Appendix A which provides an appraisal of the various commercial options available to the council to increase the supply of accommodation and support temporary accommodation cost reduction.
- 1.2 Delegate authority to the Executive Director of Regeneration and Housing, following consultation with the Portfolio Holder for Housing, Planning and Transformation, Director of Legal and Democratic Services and the Executive Director of Corporate Resources, to consider the options outlined in the Business Case attached at Appendix A and, subject to further financial and legal due diligence, implement some or all of the options within available budgets and resources.
- 1.3 Delegate authority to the Executive Director of Regeneration and Housing, following consultation with the Portfolio Holder for Housing, Planning and Transformation, Director of Legal and Democratic Services and the Executive

Director of Corporate Resources, to select and, if appropriate, establish a suitable delivery vehicle to hold Assured Shorthold Tenancies as indicated in the Business Case attached at Appendix A.

- 1.4 Note that if the implementation requires additional financial resource above budget availability and Flexible Homelessness Support Grant, further reports will be presented for Cabinet approval.

2. Reason for Decision and Options Considered

This report addresses the Administration manifesto commitment to increase the supply of council-owned temporary accommodation to ensure that we reduce the number of families needing to spend time in bed and breakfast, whilst ensuring these measures remain temporary as a way of families getting into permanent homes. It is also consistent with the Administration's key aim to raise the standard of accommodation and management across the borough.

The conclusions set out in the business case have been endorsed and adopted by IMPower and Grant Thornton as part of the Outcomes Review and form part of the proposed savings. The accommodation targets set out in the Outcomes Review are ambitious but the Housing Demand service is fully signed up to meeting these targets.

The cost of temporary accommodation has grown considerably in recent years and there is now a significant gap between the cost of acquiring temporary accommodation and the amount of housing benefit payable reflecting the fact that housing benefit subsidy has reduced significantly in recent years. In addition, the level of homelessness has increased the demand for statutory homelessness services. Between 2011 and 2017 the number of households in temporary accommodation more than doubled and the council now spends in excess of £30.000m on temporary accommodation each year. Whilst most of this expenditure can be recovered through the housing benefit subsidy system, the general fund has had to shoulder an increasing share of the overall cost, principally because subsidy rates have remained static since 2011 despite rising unit prices. The net cost to the council is projected to be in excess of £8.5m in 2018/2019, once all relevant budgets are taken into consideration.

Existing arrangements are not only expensive but lead to very poor customer outcomes. There has been marked decline in the supply of longer-term accommodation. Unfortunately, this has led to families spending longer periods of time in emergency B&B accommodation with shared facilities. Not only is this a poor outcome for residents, it is particularly expensive to the council, because subsidy is capped at the one-bedroom rate. Ealing's innovative modular homes programme has made a significant contribution towards addressing this problem and additional sites should be explored to further reduce the authority's reliance on Bed and Breakfast accommodation. Nevertheless, the need for longer-term accommodation remains. The council's ambitious programme to deliver 2,500 genuinely affordable homes over the next four years undoubtedly has an important role to play. However, this will not address the problem immediately.

Officers have therefore been reviewing a range of other commercial options for increasing supply as part of the Homelessness Outcomes review. This exercise has identified a number of opportunities that have the potential to reduce the net cost to the authority. Some are schemes that Ealing has undertaken before, others respond to commercial proposals brought to the council by the private sector, while entirely new initiatives are also under consideration, that have emerged from internal discussions within the council and conversations taking place at a pan-London level. It is unlikely that any one option will deliver all the necessary supply or be viable in all circumstances. Rather they represent a basket of options that could contribute towards a more cost-effective strategy.

The salience of temporary accommodation cost reduction has grown following recent government policy changes. In 2017/2018 there was a significant change to temporary accommodation subsidy arrangements, with the introduction of Flexible Homelessness Support Grant (FHSG). The stated intention was to give local authorities greater flexibility to pursue homelessness prevention initiatives. However, it has resulted in the cost of self-contained accommodation increasing by more than 80%, because the grant is principally funded through a concurrent reduction in housing benefit subsidy. Whilst Ealing's current allocation exceeds the additional costs imposed, in the longer-term, there is a high degree of uncertainty about the size of future grant payments - indeed, whether the grant will continue in any form at all. As such, the temporary accommodation portfolio represents an ongoing financial risk to the council. Reducing the cost of new supply, by advancing initiatives that are closer to longer-term cost neutral arrangements, could therefore generate significant savings to the council, alongside efforts to stem new demand through homelessness prevention.

3. Key Implications

The business case (confidential Appendix A) considers a wide range of options. Broadly speaking, four categories of proposal have been considered, in addition to the 'do nothing' option. The first set relates to how Ealing might engage with Capital Letters, the pan-London public lettings agency. The second explores options for undertaking a programme of property purchases. The third, options for leasing property from the private sector, and the fourth, options for increasing the supply of modular housing, which includes partnering with the Pan-London Accommodation Collaborative Enterprise (PLACE Ltd.). Where relevant the potential benefits of an alternative delivery model, through a council-owned company, have been highlighted. It is important to note that these options aren't mutually exclusive and could all contribute towards a wider strategy. The choice of option will depend upon various financial and legal constraints along with a detailed operational consideration of implementing any of the options.

Options were evaluated qualitatively against a range of critical success factors that reflect:

- The quality of customer outcome – whether it would offer a good quality affordable home that provides greater security for homeless families.
- Financial considerations - such as whether it would be subject to temporary accommodation subsidy arrangements and reduce the net cost to the council;

- Legal considerations - such as suitability, and whether it would enable the council to discharge a homelessness duty;
- Management considerations – for example, whether it would offer opportunities for in-house management to maintain economies of scale within landlord services; and,
- Commercial considerations - primarily, whether it would be viable in the marketplace;

3.1 The role a council-owned company could play in delivery

Some of the preferred options are achieved by way of a council-owned company. As a local authority, Ealing is only able to offer a secure or non-secure tenancy agreement, and where Ealing is the landlord, all housing benefit claims operate through the temporary accommodation subsidy system. A council-owned company, on the other hand, would be able to offer an Assured Shorthold Tenancy (AST). This could bring significant benefits. Any offer made this way would be classified as a Private Rented Sector Offer (PRSO), enabling Ealing to discharge a homelessness duty. Furthermore, tenancies would not be subject to temporary accommodation subsidy arrangements, allowing tenants to claim current Local Housing Allowance rates, that, unlike TA subsidy rates, are set to rise over the coming years. Operating through a company would provide greater commercial flexibility, as the vehicle would be able to enter long-leases of more than ten years, that initial indications suggest are particularly attractive to the market, and have more freedom to capitalize expenditure. It would also secure greater mitigation of risk, as the company would be able to charge market rents to cross subsidise loss-making units should future government policy change undermine the viability of leasing commitments.

Where households are placed in temporary accommodation provided by the council, tenants in receipt of Universal Credit are not paid a housing element and instead must apply for housing benefit. Those payments are paid directly into tenants' rent accounts. Were a council-owned company the landlord, this would not be the case, and therefore there is a risk that rent arrears and bad debt would be higher. Additional bad debt provision has been assumed in the financial modelling related to the company options. Nevertheless, it may be prudent to lease accommodation procured through a company back to the council, initially, until the full impact of Universal Credit can be determined.

4. Financial

The strategy of increasing the supply of tenancies is a 3 to 5-year delivery plan with potential for benefits to flow to the council over the course of the delivery plan.

This proposal will require further financial resource to support delivery. This resource will largely be required in the form of capital funding to acquire or develop units suitable for the delivery of the proposal. At present the Temporary Accommodation service has been awarded funding through the Flexible Homeless Support Grant, which has the specific purpose of preventing and dealing with Temporary Accommodation.

The preferred options are designed to achieve an increase in affordable and sustainable Temporary Accommodation with an associated reduction in costs to the council. The preferred options seek to replace the most expensive accommodation such as Bed and Breakfast stock with more cost neutral housing options and to reduce risks to the council from costs pressures arising from private sector landlords.

Financial modelling is being worked up to achieve a reduction in the number of households in Bed and Breakfast by around 80% over four years; a reduction of around 85% for Licensed Annexes and 20% for Private Sector Leasing accommodation.

As the preferred options are finalised and prepared, detailed legal and financial implications will be assessed along with the detailed business case. These proposed financial benefits will largely be noticed within the Housing Benefit shortfall budget due to the complex interaction with the Housing Benefit administration system. The delivery of this proposal will be a joint working exercise with the Housing Benefit team to ensure there are further efficiencies on managing benefit payments and bad debt.

All costs in relation to developing the strategy and delivery will be met from the council's allocated budgets and the use of the Flexible Homelessness Support grant.

5. Legal

Each of the options set out in the business case (Appendix A) has a number of legal implications, all of which will require detailed consideration prior to implementation.

The Localism Act 2011 had a significant impact on the way in which Local Authorities deal with homelessness applications under Part 7 of the Housing Act 1996. From 9th November 2012, the Act enabled Local Authorities to end a full housing duty by a private rented sector offer (PRSO) to new applicants approaching as homeless or threatened with homelessness after that date. An offer is a PRSO if–

- (a) it is an offer of an assured shorthold tenancy made by a private landlord to the applicant in relation to any accommodation which is, or may become, available for the applicant's occupation,
- (b) it is made, with the approval of the authority, in pursuance of arrangements made by the authority with the landlord with a view to bringing the authority's duty under this section to an end, and
- (c) the tenancy being offered is a fixed term tenancy for a period of at least 12 months.

6. Value For Money

The purpose of the Strategic Business Case provided as a confidential appendix to this report is to identify accommodation options which provide the best Value For Money for the council and the best outcomes for customers. A full cost benefit analysis is set out in section 4 of the appendix. Our strategy will focus on the most cost effective options.

7. Sustainability Impact Appraisal

One option presented is longer term leasing arrangements, which will provide long-term sustainable accommodation as an alternative to temporary accommodation.

8. Risk Management

Please see section 4.6 of Appendix A for a summary of the risks for each option and what mitigations have been considered.

9. Community Safety

None

10. Links to the 3 Key Priorities for the Borough.

This report will contribute to the key priority for the council's administration to provide good and genuinely affordable homes.

11. Equalities, Human Rights and Community Cohesion

Although the proposals contained in this report will result in improved customer outcomes in terms of the quality and sustainability of accommodation the client group will remain unchanged. Clients are more likely to be rehoused in the local area which should lead to enhanced community cohesion.

12. Staffing/Workforce and Accommodation implications:

None

13. Property and Assets

There are no property implications immediately stemming from this report.

16. Timetable for Implementation

A project plan is set out section 7.1 of the appendix attached.

17. Appendices

Appendix A – Strategic Business Case – Commercial options for increasing the supply of accommodation for homeless households.

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Cllr Peter Mason	Portfolio holder for Housing and Transformation	13/9/2018	17/09/2018	Throughout
Tony Clements	Executive Director – Regeneration and Housing	13/9/2018	26/09/2018	Throughout
Catherine Taylor	Head of (Litigation and Contracts)	13/9/2018	02/10/2018	Section 5 and recommendations
Nish Popal	Head of Accountancy	July/August /Sep 2018	July/August /Sep 2018	Throughout

Report History

Decision type: EITHER: Key decision OR Non-key decision OR For information (delete as applicable)	Urgency item? No
Report no.:	Report author and contact for queries: Lynne Duval, Head of Housing (Prevention), and Edward Ferneyhough, Project Officer