

BRIEFING

**Designing Solutions to London's
Temporary Accommodation
System, 6 October 2016**

BENJAMIN IRVINE | SEPTEMBER 2016

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Trust for London

Tackling poverty and inequality

Acknowledgements

The RSA is grateful to have received the support of Trust for London to convene this workshop.

Trust for London is an independent, endowed charitable organisation whose mission is to reduce poverty and inequality in London. We do this by funding the voluntary and community sector and others, commissioning research, and using our expertise and knowledge to support work that tackles poverty and its root causes. Annually, we provide about £7m in grants; at any one point we are supporting some 400 organisations.

Given the significance of housing costs in contributing to poverty in London, the Trust works to tackle London's housing crisis on three fronts: by contributing to the evidence base; funding policy and campaigning work, and by investing in alternative housing solutions – including the Y:Cube development led by YMCA London South West, which offers genuinely affordable housing units for people leaving hostels and supported housing schemes.

Summary

This briefing provides an overview of the recent trends, policy history and specific dynamics of the numbers of families in temporary accommodation in London, in order to start thinking about solutions. It is based on desk research and semi-structured interviews with policy experts and practitioners. It's tentative conclusion is that the temporary accommodation problem is a symptom of the broad crisis of housing affordability and insecurity in London but it is not an inevitable one, significant improvement is possible on this more acute problem based on examples of creative and strategic action by London Boroughs which could be scaled.

The number of households in temporary accommodation in London is up 50 percent over the last five years and stood at 51,940 in March 2016.¹ London has historically accounted for three quarters of those in temporary accommodation in the UK. Recently this problem has been compounded by factors including: cuts to benefit entitlements; a rise in rents far above national averages; intense competition for tenancies in the Private Rented Sector; and the withdrawal of housing associations from temporary accommodation provision. Families are being failed on both prevention and recovery from homelessness. The growing cost, poor conditions and negative health, employment and educational outcomes of temporary accommodation also represent a failure in the 'emergency treatment' phase.

Households with dependent children are a priority need group and make up the vast majority of those in temporary accommodation.² Solutions must take account of their needs but it should be recognised that a much larger and more varied hidden homelessness problem exists with larger numbers in unsupported temporary accommodation.³

The briefing looks at the features of current temporary accommodation system in London and outlines the growing

¹ DCLG (2016) [Statutory Homelessness Live Tables 2016](#)

² Ibid.

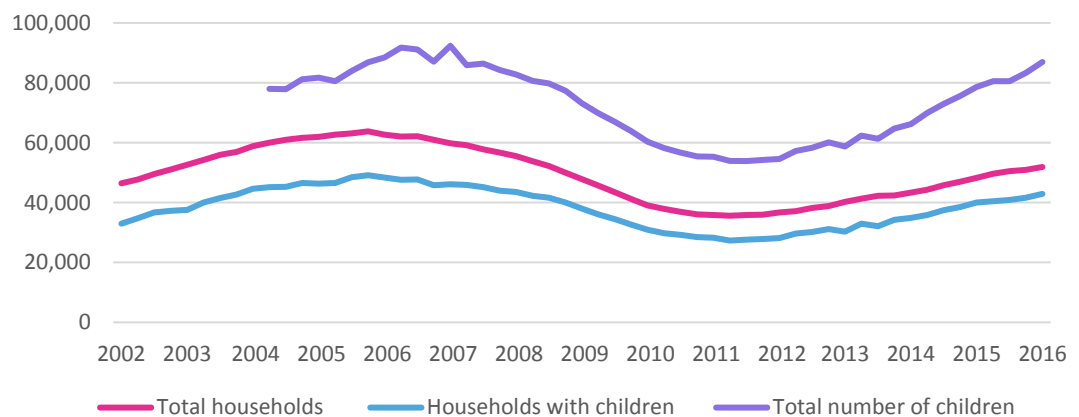
³ In 2002 it was estimated that there were 50,000 households living in B&B accommodation who were self-referred, or referred by another agency, compared to 12,000–13,000 local authority placements. Rose, A. and Davies, B. (2014) [Not home: The lives of hidden homeless households in unsupported temporary accommodation in England](#). IPPR, p.4.

demand, cost of provision and recent developments. Some recent examples of responses are considered as a starting point for thinking about their strengths, potential limitations and how they might be built upon.

Homelessness has increased whilst finding affordable settled accommodation has gotten harder

The number of households in temporary accommodation has increased 50 percent in the last five years and is approaching its previous peak of 63,800 in 2005. The percentage of families (or households with dependent children) has remained constant at around 80 percent.

Households in temporary accommodation in London



Source: DCLG Statutory Homelessness Live Tables 2016, Table 775

More people are applying and being accepted as statutorily homeless whilst numbers leaving have stayed flat as boroughs struggle to find settled accommodation.⁴ The previous reduction achieved between 2004 and 2010 is attributed to the introduction of homelessness strategies and a focus on prevention.⁵

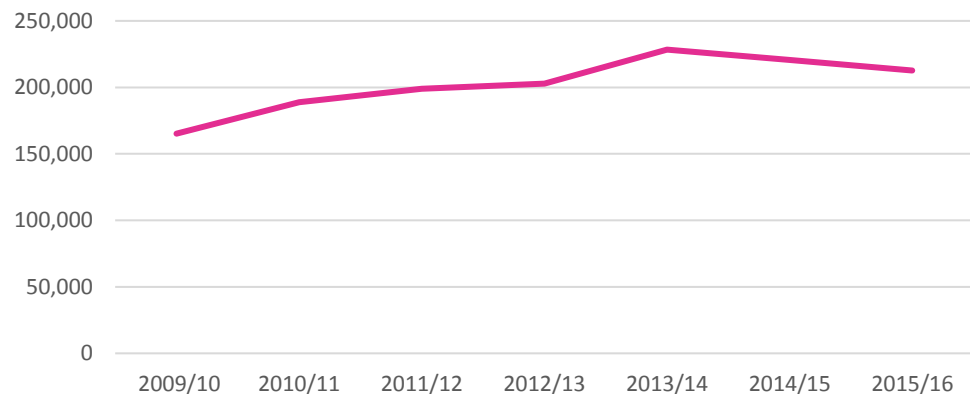
Prevention of homelessness by councils plays a significant role in reducing the number of households entering temporary accommodation. In 2015/16, 212,600 households were prevented from becoming homeless across England. The number of prevention cases increased between 2009/10 and 2013/14

⁴ See: DCLG (2016) [Statutory Homelessness Live Tables 2016](#), Tables 773, 779

⁵ DCLG (2007) [Evaluating homelessness prevention](#)

without which temporary accommodation placements would have been even higher.⁶ The Homelessness Prevention Grant which funds this work has largely been insulated from budget cuts and it was announced in December 2015 that it would continue to be protected.⁷

Number of cases of prevention and relief, England



Source: DCLG (2016) Statutory Homelessness Live Tables 2016, Table 788

About half of prevention cases involve enabling people to stay in their current home but prevention can also involve arranging alternative accommodation in the private rented sector with a landlord incentive scheme. In this way it is similar to temporary accommodation procurement activity in that it also involves sourcing from and negotiating the private rented sector.

Temporary accommodation in London is often far from temporary

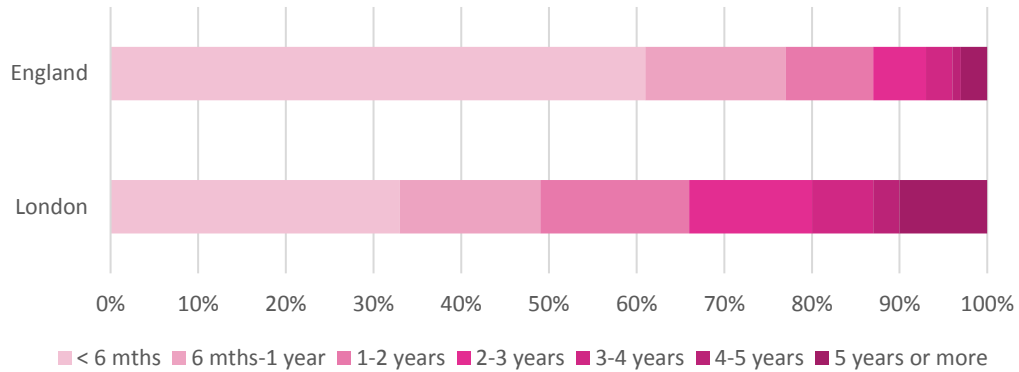
The difficulties London boroughs face finding suitable settled accommodation compared to the rest of England is reflected in the length of time households leaving temporary accommodation have spent there. For England as a whole 40 percent of households which left temporary accommodation in early 2016 had been there for over six months. For London, two thirds had spent six months or more there. Freedom of Information returns commissioned by Shelter in 2014 found 23 percent of

⁶ DCLG (2016) [Statutory Homelessness Live Tables 2016](#), Table 788.

⁷ DCLG Press Release (2015) [Radical package of measures announced to tackle homelessness](#)

households had been there for five years or more, and three percent for 10 years.⁸

Households leaving temporary accommodation, length of time since acceptance, 2016 Q1



Source: DCLG (2016) Statutory Homelessness Live Tables 2016, Table 779

The way boroughs are sourcing temporary accommodation has changed

The number of properties leased from the private sector has reduced significantly in the last 10 years. Since 2011 there has been a significant increase in temporary accommodation under the type 'Other private sector including private landlord'. This category includes properties let at nightly rates and private lets where boroughs use incentive payments (see below). There has been a gradual reduction in the use of local authority stock over the period, but a slight increase since 2011.

Between 2001-2010 Labour governments focused on reducing the number of households, particularly families, placed in B&B type accommodation. Legislation was introduced that ordered that no household with children should be placed in B&B accommodation except in an emergency and even then only for a maximum of six weeks.⁹ A reduction of 99.3 percent was achieved in the number of families in B&B's by 2004.¹⁰ Between 2002 and 2010 there was also gradual reduction the use of local authority or housing association stock.

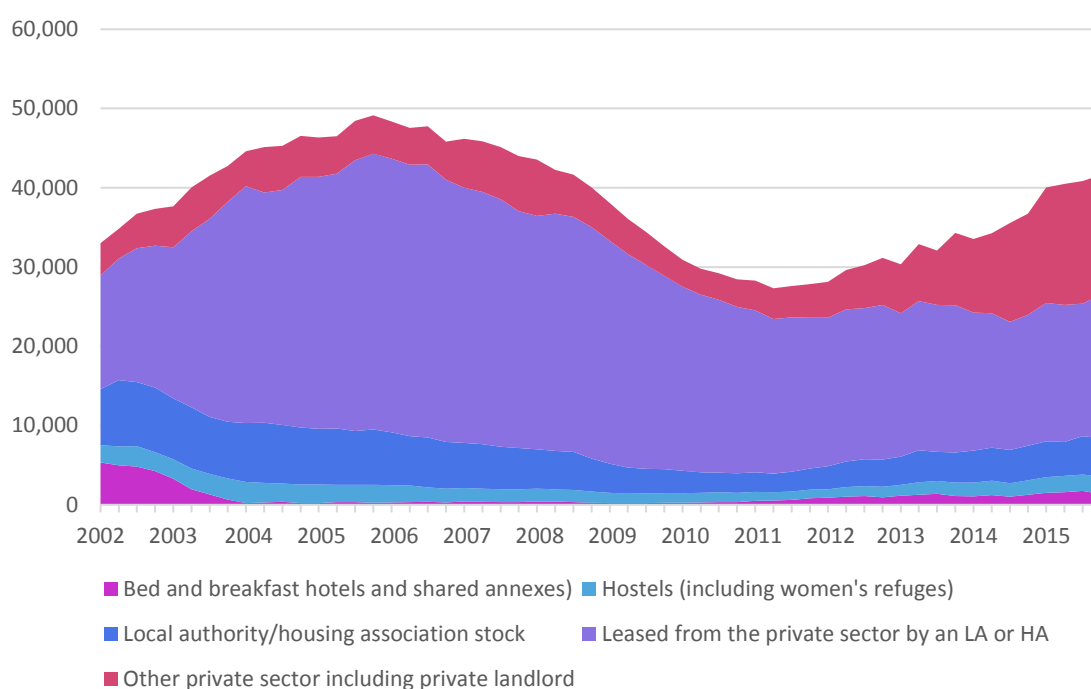
⁸ Halpin, Z. (2014) *Temporary accommodation in London Shelter*.

⁹ The Homelessness (Suitability of Accommodation) (England) Order 2003.

¹⁰ House of Commons Briefing Paper 'Households in temporary accommodation (England)', p.9.

Reduced use of B&B type accommodation was replaced with an increase in the use of private sector properties leased by local authorities or housing associations. DCLG guidance in 2006 recommended local authorities use the private rented sector in tackling homelessness, particularly through leases.¹¹ Self-contained properties in the private rented sector have also been championed by homelessness charities as better for families as well as for single homeless people.¹²

Households with children in temporary accommodation by type, London



Source: DCLG (2016) Statutory Homelessness Live Tables 2016, Table 775

To encourage the use of private sector leasing the Labour government introduced Housing Benefit subsidy to meet the additional cost. By 2006 there was a drive to reduce this as central government believed councils were charging the maximum rate in order to cross-subsidise spending in other areas. Housing Benefit subsidy was reduced by five percent then ten percent over the next two years to “provide better incentives for local authorities to improve efficiency”.¹³

¹¹ DCLG (2006) Homelessness Code of Guidance for Local Authorities

¹² Luby, J. (2008) Private Access, Public Gain. Crisis. Available at: <http://www.crisis.org.uk/publications-search.php?fullitem=217>

¹³ House of Commons Briefing Paper ‘Households in temporary accommodation (England)’, p.16.

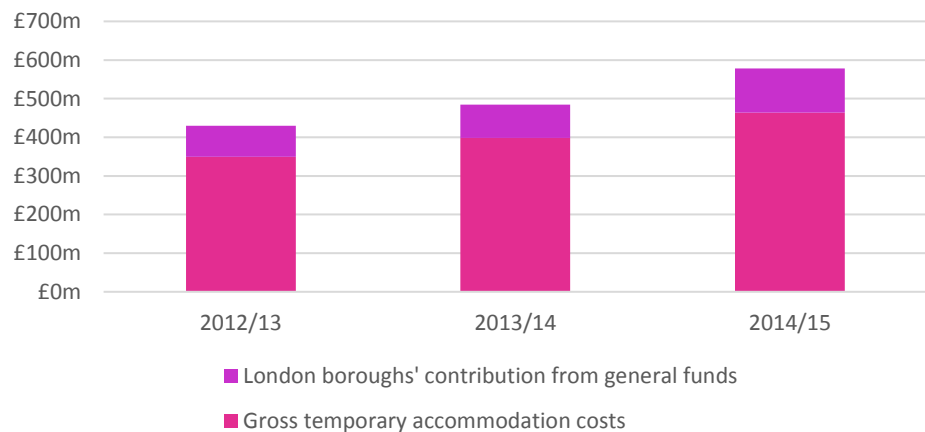
2010 temporary accommodation funding cap

From 2010 temporary accommodation funding was capped at 90 percent of the Local Housing Allowance (LHA) rate plus an element for management costs (£60 per week for local authorities outside London, £40 per week for those in London).¹⁴ From 2011 the formula has been frozen at 90 percent of the LHA rate for that year whilst private rents have increased significantly in London.¹⁵ This was an attempt to impose cost reductions on the temporary accommodation market.¹⁶ It appears from the evidence of borough spending on temporary accommodation (see below) that the restriction of the LHA rate payable has not been successful in reducing temporary accommodation costs in London.

An overheated private rented sector and expensive nightly rates have increased costs

The estimated total spend of all London boroughs on temporary accommodation in 2014/15 including prevention, administration and support was £663m. An indicative figure of the annual cost

Gross temporary accommodation costs and London boroughs' contribution



Source: 2015 Survey of London boroughs. Base: 20 boroughs (eight inner, 12 outer). Rugg (2016)

¹⁴ DWP (2009) Housing Benefit/Council Tax Benefit Circular S7/2009.

¹⁵ DWP (2016) [Housing Benefit subsidy guidance manual 2015 to 2016](#)

¹⁶ DWP (2009) [Supporting people into work: the next stage of Housing Benefit reform](#)

of placing a household in temporary accommodation is £10,300.¹⁷

Gross costs have increased 33 percent in the two years to 2015, outstripping the 28 percent increase in demand.¹⁸ The unit cost of providing temporary accommodation has therefore become more expensive. As a result, London boroughs contributions from General Funds have increased, from 22.93 to 24.65 percent. The management fee element of Housing Benefit subsidy and councils general funds are absorbing the difference between the Housing Benefit received and the growing rental cost of temporary accommodation.

Behind the rising costs is a heated private rented sector where landlords can easily let properties at above the LHA rate as well as providers shifting towards more expensive 'nightly rates'. Survey data from Rugg showed the proportion of placements at nightly rates increased substantially, from 17 percent in 2012/13 to 29 percent in 2014/15. Some councils also reported that individual properties they used to have on long leases were being made available on nightly rates instead.¹⁹

Nightly rates

Making properties available at nightly rates proved to be more lucrative for temporary accommodation providers, presenting more frequent opportunities to exploit competition from boroughs bidding for properties and to negotiate higher rates. Rugg describes the niche temporary accommodation market as actively provoking competition between boroughs to secure the highest possible rates. The six week limit on the amount of time a family can spend in B&B accommodation means that boroughs have little negotiating power with providers.

In 2014 boroughs instigated a nightly rates agreement to share information on rates for properties and contain costs.²⁰ Whilst successful in containing costs it has placed pressure on boroughs caught between not contravening the six week limit in B&B accommodation and finding alternative accommodation at the nightly rate. An additional objective of the nightly rates

¹⁷ Based on the 43,000 households in temporary accommodation London during 2013/14 and 'Revenue Outturn Data Total temporary accommodation spend (excluding prevention, administration and support)' in: Rugg, J. (2016) Temporary Accommodation in London: Local Authorities under Pressure University of York, Centre for Housing Policy, p.39.

¹⁸ As measured by placement weeks. Ibid, p.39.

¹⁹ Ibid, p.29.

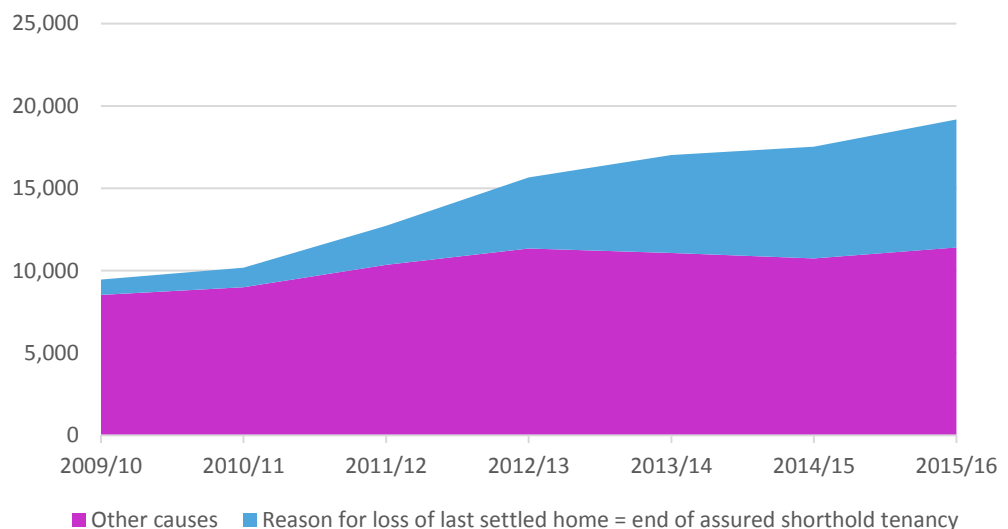
²⁰ Spurr, H. (13 June 2014) Councils unite to tackle soaring nightly let rates Inside Housing.

agreement was to negotiate with providers to make properties available on longer leases.²¹

An overheated private rented sector is both causing homelessness and increasing temporary accommodation costs

Increased rents in the private rented sector and increased competition for properties at the lower end appear to be both a contributing cause of homelessness, as well as making it more difficult for councils to secure properties for use as temporary accommodation.

The end of an assured shorthold tenancy as a cause of homelessness



Source: DCLG Live Tables on Homelessness, table 774. Data is for London

The number of households accepted as homeless citing the end of an assured shorthold tenancy as the reason for the loss of their last settled home has increased from 10 percent of acceptances in 2009 to 40 percent today. It accounts for most of the rise in homelessness acceptances over the period. For the rest of England there has been a parallel but smaller increase in this cause of homelessness, from 12 percent to 26 percent.

²¹ Rugg, J. (2016) op cit, p.45.

Behind this variation is the more rapid increase in private sector rents in London which is likely to encourage landlords to end tenancies to raise rents as well as making it difficult for households to find alternative tenancies. Average lower quartile rents increased by 49 percent in inner London and 43 percent in outer London in the five years to 2016.

Average monthly private rents 2011-2016, lower quartile



Source: Valuation Office Agency (2016) Private rental market statistics - May 2016

There are some local level officer reports that landlords are ending tenancies in order to re-let at higher rents than those affordable for tenants dependent on Local Housing Allowance.²² As house prices and rents have increased across the board professional couples without children are competing for relatively cheaper properties in the private rented sector that previously would be let to those in receipt of Local Housing Allowance.²³

Private landlords are also reluctant to take recipients of housing benefit in the context of high demand. Studies have found a fraction of advertised private rented sector properties are accessible to households in receipt of housing benefit in London with many estate agents and letting adverts stating 'No DSS'.²⁴

A survey of landlords' willingness to let to recipients of Housing Benefit or Universal Credit found that a little over 30 percent of those in London were willing to, compared to 60 percent of landlords in the north west.²⁵

²² Ibid, p.8.

²³ Expert Interview.

²⁴ Sanders, B. and Teixeira, L. (2012) No Room Available: study on the availability of shared accommodation Crisis.

²⁵ Gousy, H. (2016) Home. No less Will Do: Improving access to private renting for single homeless people Crisis. p.19.

Incentive payments

Boroughs have been making upfront payments in order to incentivise landlords to let to households on housing benefit for homelessness prevention and relief. This is to make up for the widening gap between the LHA, frozen since 2011, and market rents. London boroughs spent nearly £18m on incentive payments between 2012/13 and 2014/15.²⁶ The £40 per week management fee element of the LHA subsidy in London is often effectively transferred to landlords as an up-front incentive payment.²⁷

There have been recommendations for London boroughs to review their use of incentives as an opportunity to bring price stability to temporary accommodation as well as avoid distorting localised rental markets particularly when procuring temporary accommodation out of area.²⁸

Key points

- Rising rents and insecure tenancies in the private rented sector are a growing cause of homelessness and increasing temporary accommodation costs.
- At the same time homelessness policy has encouraged the use of the private rented sector both for temporary accommodation and also for finding settled accommodation to discharge the main duty. The inadequate level of LHA has caused the use of incentive payments which carry the potential to create local rental market price inflation.
- There is a significant danger of a vicious cycle where rising rents are causing insecurity in the private rented sector, incentive payments for temporary accommodation cause price inflation and households are discharged back into expensive insecure tenancies. As a result of insecurity and a lack of tenant bargaining power questions have been raised about the suitability of the private rented sector for the most vulnerable homeless households.
- Housing strategy and temporary accommodation provision should ideally aim to actively counteract the fundamentals driving insecurity in the private rented sector such as short tenancies and a lack of supply.

²⁶ Spurr, H. (12 May 2015) Councils spend £18m on 'sweeteners' for private landlords Inside Housing.

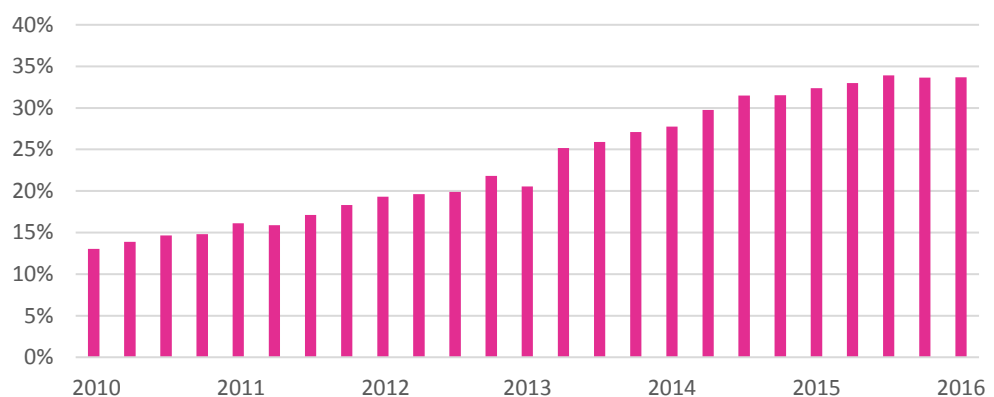
²⁷ Rugg, J. (2016) op cit, p.37.

²⁸ Ibid, p.51.

Squeezed councils are under pressure to place households out of area

As boroughs have struggled with securing access to affordable temporary accommodation more households are being placed out of area. The proportion of placements in another local authority area has increased from 16 percent in 2009 to 34 percent in 2016, representing 17,500 households. Shelter report that 49 percent of placements made by London boroughs in the last 12 months were out of area.²⁹

Percentage of households placed in temporary accommodation out of area, London



Source: DCLG (2016) Statutory Homelessness Live Tables 2016

There is concern that relocation is becoming a routine aspect of homelessness support that may compound the instability and insecurity for households. The practice has attracted criticism due to the implication that the vulnerable people are being forced out of London against their will.³⁰

Analysis from Shelter (2015) reveals 74 percent of out of area placements were to a neighbouring local authority, 26 percent are placed out of area and not in a neighbouring authority. Ten percent of out of area placements are outside London but the vast majority of these are to a county that adjoins London.³¹

²⁹ Garvey, K. and Pennington, J. (2016) Home and Away: The rise in homeless families moved away from their local area Shelter.

³⁰ Staff (2015) Over 50,000 families shipped out of London boroughs in the past three years due to welfare cuts and soaring rents 29 April, *The Independent*.

³¹ Garvey, K. and Pennington, J. (2016) op cit, p.5.

The Inter Borough Temporary Accommodation Agreement

Since 2011 London boroughs have agreed to a set of standards as well as a commitment to monitor the number and location of out of area placements through the Inter Borough Temporary Accommodation Agreement (IBTAA).³² The commitments agreed to when making placements, include: to inform the host borough of the placement, not 'out-bid' them, to avoid placing the most vulnerable households in other boroughs and - where registered social landlords have schemes to procure privately owned properties on leases - these should be first offered to the borough council in which the property is located.

Reports on the data collected from the agreement shows the majority of placements are made in neighbouring boroughs. In 2013 placements outside of London made up 1.5 percent all placements.³³ Analysis from London's Poverty Profile suggests "there is a pattern of movement; from Inner West to other boroughs, from Inner East to outer boroughs and some movement from outer boroughs out of London, but the flow is not entirely in one direction."³⁴

The use of out of area placements differs between boroughs. Partly depending on the strength of opposition to out of area placements from local councillors.³⁵ Some boroughs may prioritise securing self-contained accommodation over a placement in borough. Similarly Shelter note that some homeless households are happy to move out of area to secure self-contained accommodation.³⁶

Generally boroughs with higher property values place more households out of area and boroughs where property values are lower are net receivers of placements. In addition, areas which receive lots of placements from other councils are themselves more likely to make greater use of outer area placements because their own stock of accommodation is full. This suggests the practice of out of area placements has potentially caused a domino effect. Recently some evidence of 'chaotic swapping' has

³² The Inter Borough Temporary Accommodation Agreement (July 2013) London Councils Member Briefing. Available at: <http://www.londoncouncils.gov.uk/node/1589>

³³ London Councils Member Briefing (January 2014) The Placement of Homeless Households Outside of London

³⁴ Households placed in temporary accommodation outside their borough. (Updated 20 October 2015) London's Poverty Profile. Trust for London and New Policy Institute. Available at: <http://www.londonspovertyprofile.org.uk/indicators/topics/homelessness/households-placed-in-temporary-accommodation-outside-their-borough/>

³⁵ Expert interview.

³⁶ Garvey, K. and Pennington, J. (2016) op cit.

been observed where councils had placed the same number of households in one borough as they had received from that same borough.³⁷

Charities have expressed concern that boroughs are making placements without sufficient effort to find accommodation locally, forcing people to make on the spot decisions and providing little information or support.³⁸

Supreme Court ruling *Nzolameso vs Westminster City Council*

In April 2015 the Supreme Court ruled against the decision of Westminster council to discharge their homelessness duty to a woman with multiple health problems and five children with an offer of temporary accommodation 50 miles away. The ruling has significant implications for how Boroughs make out of area placements.³⁹ The court upheld her appeal and recommended:

- Out of area placements should be made as a last resort.
- The search for accommodation as close as possible to the home area should be evidenced.
- The individual and collective needs of the household must be assessed and acknowledged. Written evidence and explanation should be given explaining an out of area placement with reference to these.
- Households must be given thorough information on an offer of out of area accommodation.
- That a publically available policy is produced for procuring sufficient units of temporary accommodation to meet anticipated demand.
- That a publically available policy is produced for allocating temporary accommodation units, explaining the individual factors to be taken into account.

In May 2016 Shelter reported that many boroughs are failing to comply with the legal requirements of this ruling.⁴⁰ London boroughs are caught between the implications of this ruling for their duties and the restricted level of temporary accommodation subsidy which, it's argued, is making it not financially viable in the long term to house homeless household in their home borough.⁴¹ Shelter have called on central government to review the level of

³⁷ Garvey, K. and Pennington, J. (2016) p.5.

³⁸ Garvey, K. and Pennington, J. (2016) op cit.

³⁹ [Nzolameso vs Westminster City Council \[2015\] UKSC 22](#) and Douglas, D. (2015) [Landmark case tightens rules on out-of-borough placements](#) Inside Housing.

⁴⁰ Garvey, K. and Pennington, J. (2016) op cit.

⁴¹ Expert Interview.

LHA available for temporary accommodation to enable households to be housed within their borough.⁴²

The Homelessness (Suitability of Accommodation) (England) Order 2012 requires local authorities to ensure that private rented sector offers and temporary accommodation placements are suitable.⁴³ Those councils which are making more extensive use of out of area placements want affordability to be a more prominent criteria in determining suitability in legislation and guidance.⁴⁴

Pushed out of London?

Concerns that welfare changes would result in accelerating numbers of low income households driven further and further out of London have not as yet been fully borne out. An analysis of the movements of all Housing Benefit claimants in London between 2010 and 2014 found that whilst there has been a small increase in the number of longer distance moves the majority of moves were still within the same borough. It is suggested that the use of discretionary housing payments have partially offset the effects on households affected by the LHA freeze, overall benefit cap and bedroom tax and are part of the reason movements haven't been larger.⁴⁵ Discretionary housing payments are time limited however, so the housing stability of housing benefit recipients is fragile.

Key points

- Cooperation and monitoring of inter borough placements through the IBTAA is perhaps a starting point for coordinated action between boroughs both to reduce costs through reviewing and potentially further unifying procurement of temporary accommodation supply.
- Data from the IBTAA also points to potential opportunities for boroughs who are exchanging similar numbers of households, perhaps unnecessarily, to cooperate to reduce this.

⁴² Garvey, K. and Pennington, J. (2016) op cit.

⁴³ DCLG (2012) Supplementary Guidance on the homelessness changes in the Localism Act 2011 and on the Homelessness (Suitability of Accommodation) (England) Order 2012

⁴⁴ Expert Interview.

⁴⁵ Aldridge, H. and MacInnes, T. (May 2016) Movements of housing benefit claimants in London. New Policy Institute, p.3.

The effect of living in temporary accommodation on households and children

Temporary accommodation has debilitating effects on households including on physical and mental health, work opportunities and finances and particularly stark impacts on the development and educational attainment of children. A number of causal factors can be identified, which new solutions for providing or avoiding temporary accommodation should be attentive to.

Lack of control

A lack of information on the location of temporary accommodation placements causes high levels of anxiety and may result in the placement causing significant unanticipated disruption to families' lives. Households not knowing for how long they will be in a property or area results in an inability to plan for work or children's education. A feeling of 'having no control over one's life' appears significant in causing anxiety, depression, reduced self-esteem and levels of activity with further knock on effects. Depression is the number one reported health issue by those in temporary accommodation.⁴⁶

Health

In studies, 58 percent of families report their health or their family's health suffered as a result of living in temporary accommodation, nearly all of them felt their children's health had suffered.⁴⁷ Delayed child development in speech and walking has been reported.⁴⁸ Outcomes deteriorate for those who experience multiple moves before receiving the offer of a home. Health impacts are likely to result from tiredness, poor mental health, difficulty planning and accessing health services but also as a result of poor housing conditions and inadequate cooking facilities.⁴⁹

Children's education

A number of factor's impact on children in temporary accommodation's educational attainment including having to

⁴⁶ Mitchell, F. (2004) Living in limbo: survey of homeless households living in temporary accommodation Shelter, p.24.

⁴⁷ Credland, C. (2004) Sick and tired: The impact of temporary accommodation on the health of homeless families. Shelter. (Based on a survey of families in non-B&B type temporary accommodation, in June 2004 when record numbers of those accepted as homeless were in temporary accommodation, 99,380.)

⁴⁸ Pennington, J. and Banks, C. (2015) 'This is no place for a child': The experiences of homeless families in emergency accommodation Shelter.

⁴⁹ Mitchell, F. (2004) op cit.

move schools, emotional/psychological problems, travelling long distances to school and a lack of space in accommodation to do homework.⁵⁰ RSA research from 2013 analysing in year school moves found children who moved multiple times within their secondary education had markedly lower attainment than their peers and were half as likely to achieve five A* to C grades at GCSE than the national average.⁵¹

Barriers to work

High rents in emergency accommodation result in barriers to work due to the rate of withdrawal of benefits.⁵² Poor physical and mental health as well as insecurity also reduce opportunities to work. However, 20 percent of temporary accommodation costs in London were met by contributions from tenants who are in work in some London boroughs in 2015.⁵³

The negative impacts of temporary accommodation result in costs for other government service areas. Shelter estimated the additional non-rental costs of temporary accommodation in 2004 at £200m per year resulting from additional take up of out-of-school provision for children, out-of-work benefits, sickness benefits, and visits to the GP.⁵⁴

Key policies impacting temporary accommodation

Local housing allowance freeze

The freezing of the local housing allowance rate payable for temporary accommodation has resulted in a significant shortfall between central government funding for temporary accommodation and the cost of provision in the capital. The 2015 Summer Budget announced the intention to freeze LHA rates for four years between 2016-17 and 2019-20 which will compound the difficulties London boroughs are facing.⁵⁵ The intention to cap social rents at LHA levels severely threatened the viability of supported housing schemes but has subsequently been postponed until 2019-20.⁵⁶

⁵⁰ Ibid, p.28.

⁵¹ Hallgarten, J. (2013) *Between the Cracks*. RSA. Available at: [crackshttps://www.thersa.org/discover/publications-and-articles/reports/between-the-cracks](https://www.thersa.org/discover/publications-and-articles/reports/between-the-cracks), p.5.

⁵² Mitchell, F. (2004) op cit.

⁵³ Rugg, J. (2016) op cit, p.38.

⁵⁴ Mitchell, F. (2004) op cit, p.10.

⁵⁵ Summer Budget 2015 p.37.

⁵⁶ DCLG (2016) [New Funding Model for Supported Accommodation](#)

Benefit cap

London Councils reported in 2013 that there were 4,300 households in temporary accommodation in London affected by the benefit cap resulting in them unable to meet the higher levels of rents. The estimated cost of London borough's meeting this shortfall was £25m.⁵⁷

Universal Credit

The gradual roll out of Universal Credit results in housing benefit going directly to the tenant by default, this may further reduce the willingness of private landlords to let to homeless households and those in receipt of housing benefit. There are roughly 279,000 households on Universal credit and it's being made available to all new single jobseekers.⁵⁸ Whilst there is a provision in place for the rental payment possibly going to a local authority for temporary accommodation, it poses particular challenges for securing settled private rented accommodation for previously homeless households.

Housing and Planning Act 2016

The act requires councils to sell low-rent high-value homes as they fall vacant in order to fund the right to buy for Housing Association tenants.⁵⁹ It's very likely this will result in a reduction of social housing stock in London for homeless households to move into. A proposed amendment to ensure Local Authorities retain enough of the sales to fund a replacement in the area was not successful.

Separation of the temporary accommodation management fee

The management fee element of housing benefit subsidy for temporary accommodation is due to be separated and "devolved" to local authorities, so that they will receive this funding up front. The 2015 Autumn Statement stated that in place of the fee local authorities would be given "more than equivalent funding directly, to enable them to manage temporary accommodation and homelessness pressures as they see fit."⁶⁰

⁵⁷ London Councils (2013) [Tracking Welfare Reform: Meeting the financial challenge](#)

⁵⁸ BBC News (July 2016) [Universal credit delayed further](#)

⁵⁹ Housing and Planning Act 2016, c. 22 Available at: <http://www.legislation.gov.uk/ukpga/2016/22/part/4/chapter/2/crossheading/payments-to-secretary-of-state-by-local-housing-authorities>

⁶⁰ Autumn Statement and Spending Review 2015: Policy Costings, November 2015, p15; DCLG, Radical package of measures announced to tackle homelessness, 17 December 2015.

Whilst the funding environment is highly challenging, the devolution of this aspect of funding may present opportunities for councils to turn some reactive spending into strategic spending on prevention and securing an affordable, quality stock of temporary accommodation through long term leasing arrangements, outright purchase, or the construction of purpose built units, avoiding more costly accommodation at nightly rates.

Stakeholder concerns about the terms and distribution of this funding include whether it is sufficient to cover increases in demand and how it will be distributed between areas in a way that is in accordance with need but also sufficiently flexible to variations in demand between areas. There is also concern that councils which have succeeded in reducing demand through preventative action are continued to be supported to do so.⁶¹

The Homelessness Reduction Bill: Possibility of the introduction of a prevention duty

The Homelessness Reduction Bill 2016-17 intends to introduce a duty on local authorities to prevent homelessness and will have its second reading in the House of Commons on 28 October 2016.⁶² It has the backing of homelessness charities.⁶³ The bill would follow a similar change in Wales which introduced a duty to provide assistance and advice and a duty to help prevent an applicant from becoming homeless.⁶⁴ Local authorities have expressed concern that any new duty which would increase the number of legal homelessness acceptances must be met with adequate funds to actually fulfil those duties to households.⁶⁵

Recent responses

As a primer for thinking about interventions and strategies for transforming the dysfunctional temporary accommodation system in London it's instructive to look at some examples of recent approaches taken by London boroughs and other partners to tackle this problem. Solutions considered include preventative early action to reduce the numbers flowing in temporary accommodation but also actions which intervene in the property and rental market to contain costs and attempt to ameliorate the

⁶¹ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. and Watts, B. (2016) The homelessness monitor: England 2016 (Stakeholder interview) Crisis.

⁶² Homelessness Reduction Bill 2016-17. Available at: <http://services.parliament.uk/bills/2016-17/homelessnessreduction.html>

⁶³ Crisis (2015) The homelessness legislation: an independent review of the legal duties owed to homeless people

⁶⁴ Part 2 of the Housing (Wales) Act 2014

⁶⁵ Local Government Association 'LGA Briefing: Preventing homelessness in the context of the current Spending Review' House of Lords debate, 4 February 2016.

underlying causes of the crisis of affordability and access in the private rented sector.

Attracting private and social investment to provide housing at the LHA rate

In 2013 DCLG commissioned Social Finance UK to explore ways of using institutional investment to increase the supply of long term private rented sector accommodation at Local Housing Allowance level rents for prevention and relief.⁶⁶ Three potential investment and ownership models were suggested for setting up a housing company to buy existing properties:

- A local authority setting up a wholly owned company using powers under Section 1 of the Localism Act 2011 (general power of competence). The company would borrow from the Public Works Loan Board via the local authority or use private debt finance. As this entity is separate from the local authority the Right to Buy would not apply to its properties. The companies' borrowing would count as public sector borrowing.
- A fully owned private company, which would access private finance, with the local authority entering into a long term nomination agreement to secure access to the properties.
- A public-private joint venture with external equity investment. If the local authority has less than a 50 percent equity stake in the company, borrowing wouldn't count toward public sector debt.

An example of such a joint venture model, established at around the same time is the partnership between St Mungo's Broadway and the Real Lettings Property Fund which has purchased 250 properties in London using local authority and mission oriented investment, properties are managed by St Mungo's and investing local authorities receive nomination rights. A number of London boroughs have also set up housing companies since the pilot study.

Housing companies

Sixteen housing companies have been set up by London boroughs since 2014 to build or acquire affordable properties that the authority can access for people in housing need to

⁶⁶ Salisbury, N., Rothery, T., Shah, G. and Hull, D. (2014) Supporting Homelessness Prevention and Alleviation through Investment in the Private Rental Sector Social Finance UK.

reduce temporary accommodation costs.⁶⁷ Many wholly owned by councils and funded through public borrowing. Following participation in the DCLG pathfinder study Enfield chose to set up a wholly owned housing company financed through borrowing from the Public Works Loan Board (PWLB), interest rates on such borrowing are currently low. Borrowing from the PWLB creates tensions with the government's policy not to add to official public sector borrowing. The government has also warned councils that whilst it supports the use of housing companies as part of homelessness prevention and relief it does not support their use as a strategy to deliver social housing to avoid the Right to Buy.⁶⁸

Enfield, Housing Gateway: Purchasing properties for use as temporary accommodation through a local authority wholly owned housing company

Enfield set up a wholly owned housing company, Housing Gateway, in 2014 to purchase and manage private rented accommodation which the council can access to discharge its statutory homeless duties. It aims to acquire 500 properties over five years and at the end of 2015/16 it had acquired 174 properties.⁶⁹ This represents 10 percent of the 1,665 households in B&B or other nightly paid accommodation in the Borough.⁷⁰ Rents are set at the LHA rate but the LHA freeze poses challenges to the viability of the model and the company may explore making some properties available at market rates to subsidise sub-market properties in the future.⁷¹

Croydon, Brick by Brick: addressing lack of affordable housing supply using council owned sites through a wholly owned development company

Croydon has set up a wholly owned private development company to develop new build homes on small sites of council owned land, acknowledging that the lack of affordable homes was a key driver of the number of households in temporary

⁶⁷ Paine, D. (2016) Boom in housing companies set up to tackle housing shortages Local Government Chronicle.

⁶⁸ Smulian, M. (2016) Housing companies can help tackle the homes shortage and generate income Local Government Chronicle.

⁶⁹ Housing Gateway (2016) Housing Gateway Limited Business Plan 2016-17

⁷⁰ DCLG (2016) Detailed local authority level homelessness figures: January to March 2016

⁷¹ Housing Gateway (2016) op cit.

accommodation.⁷² The company allows the council to benefit from uplifts in land values through developing on its own sites in a way it doesn't through disposing of them.⁷³ The company has identified sites to build up to 1,000 homes by 2018 which will comprise both affordable and market value homes.

Barking and Dagenham Reside: mixed tenure new build to subsidise social and affordable rents

Set up in 2011, Reside now has a portfolio of 621 new build properties across tenures including social rent, affordable rent and a form of shared ownership. There appears to be some degree of cross subsidy with rents at 50 percent (social), 65 percent and 80 percent of market rates.⁷⁴ The developments are intended to benefit those who can't access social housing but for whom the private rented sector is becoming too expensive. Lettings for the new properties are managed by a social lettings agency. For Barking and Dagenham the housing company's activities are also intended to generate an income stream for other services following budget cuts.⁷⁵

Temporary to Permanent

A precursor to the above examples were 'Temporary to Permanent' schemes such as Newham's Local Space Housing Association which bought properties to let to homeless households and converted them over time to settled accommodation at sub-market rates. A Government Settled Homes Initiative in 2006 provided a capital grant of £30m to such schemes across London helping redirect temporary accommodation spending to buy 900 properties as settled social housing.⁷⁶ Based on the same rationale, the New Local Government Network proposed in 2011 that it would be cheaper to use housing benefit spent on temporary accommodation to build new social housing for those households and calculated savings of £56m per year for building 9,500 homes. The scheme

⁷² Downey, A. (2016) New council housing company to build 1,000 homes *Croydon Guardian*.

⁷³ Lacey, C. (2016) Croydon's company is able to respond quickly to new opportunities *Local Government Chronicle*.

⁷⁴ 4in10 (2016) Solutions to the housing crisis for London's families 4in10 Good Practice Workshops: Report #26 p.17.

⁷⁵ *Ibid*, p.17.

⁷⁶ Calpin, D. (2007) New £30m scheme to ease housing shortages. LocalGov. Available at: <http://www.localgov.co.uk/New-30m-scheme-to-ease-housing-shortages/29609>

would have required DWP to support the proposal through some transfers to local authorities.⁷⁷

Prevention

Camden: Prevention strategy through placements in the private rented sector

Camden has the lowest levels of statutory homelessness in London due to its strategy to encourage households to work with the council to prevent their own homelessness before submitting a homelessness application. This involves using incentives to access private rented sector accommodation. In 2011 the council reported success in terms of cost and outcomes for households.⁷⁸ Securing alternative accommodation preventatively has the advantage of reducing urgency in negotiating a let and uncertainty for households. Camden's social housing allocations policy awards points on the housing register to households working with the council to prevent their homelessness and to homeless households who accept a suitable private rented offer.⁷⁹ However due to rent increases, the benefit cap and LHA freeze, 64 percent of homeless placements since 2013 have been outside Camden and the borough expects this to increase.⁸⁰

Bringing empty homes into use

Enfield, Keeping House: Leasing from elderly homeowners:

Enfield Borough Council implemented a scheme to lease homes from elderly homeowners who are in long term care, for use as temporary accommodation. The council offers grants towards the cost of any repairs needed to bring a home up to rental standard. The scheme leased 15 homes in its first year and saved an estimated £90,000, or £6,000 per household.⁸¹ The initiative pairs increasing supply of properties for temporary accommodation with addressing some of the barriers that mean that the existing housing stock is used inefficiently.

Temporary modular homes on vacant sites

Lewisham PLACE/Ladywell: 'Pop-up village'

⁷⁷ NLGN (2011) [Build to Let: Rethinking the use of housing benefit to help families out of temporary accommodation](#)

⁷⁸ Camden (2016) [Housing Strategy 2011-16](#) p.17.

⁷⁹ Camden (2016) [Housing Allocations Scheme](#)

⁸⁰ Welfare Reform and Work Bill Committee (20 October 2015) [Written evidence submitted by Camden Council \(WRW 79\)](#)

⁸¹ Youde, K. (2015) [Castle and Keep](#) Inside Housing.

Lewisham in partnership with the architecture firm Roger Stirk Harbour and Partners (RSHP) have developed a modular building of 24 self-contained properties on a site which is awaiting further regeneration plans.⁸² The building will remain on site for four years after which the building can be moved to another vacant site in the borough. It's calculated that the development will pay for itself in eight years including the cost of moving the building.⁸³ The scheme is aimed at creating homes specifically for use as emergency accommodation, but in a way which is higher quality, in borough and at a lower cost. The building method is similar to the Y-Cube development in Mitcham, also by RSHP, commissioned by YMCA south west London as move on accommodation for single young people supported housing schemes.⁸⁴ Trust for London helped fund the Y-Cube development in Mitcham through its Mission Related Investment scheme.⁸⁵

The offsite construction method used means buildings can be built more quickly and cost effectively and combined with being moveable creates the potential to make use of temporary sites.⁸⁶ This is potentially a highly innovative intervention because, by making use of idle periods on sites, it operates on a time cycle which isn't competing or crowding out other types of development.⁸⁷

Social lettings agencies

A number of London boroughs have been operating social lettings agencies in recent years to improve or increase access to the private rented sector for households in housing need.⁸⁸ Agencies might also aim to provide a better service to homeless

⁸² [Lewisham Council - Lewisham Central opportunity site \(2016\) Lewisham.gov.uk. Retrieved 20 September 2016 from: https://www.lewisham.gov.uk/inmyarea/regeneration/lewishamtowncentre/Pages/lewisham-central-opportunity-site.aspx](http://www.lewisham.gov.uk/inmyarea/regeneration/lewishamtowncentre/Pages/lewisham-central-opportunity-site.aspx)

⁸³ [Public Sector Executive \(2015\) Lewisham targets housing crisis with pop-up village](#)

⁸⁴ [Y:Cube \(2014\) YMCA London South West. Retrieved 20 September 2016 from: http://www.ymcalsw.org/ycube/](http://www.ymcalsw.org/ycube/)

⁸⁵ [Trust for London \(9 September 2015\) YMCA's innovative affordable housing scheme, funded by Trust for London's Mission-Related Investment scheme, welcomes first tenants](#)

⁸⁶ [Homeshell · Projects · Rogers Stirk Harbour + Partners \(2016\) Retrieved 20 September 2016 from: http://www.rsh-p.com/projects/homeshell/](http://www.rsh-p.com/projects/homeshell/)

⁸⁷ [LSE research project 'Accelerating Housing Production in London' produced a film on PLACE/Ladywell: PLACE making: A modular approach to London's housing shortage](#)

⁸⁸ [Crisis have produced a number of good practice guides on setting up a social lettings agency: http://www.crisis.org.uk/pages/social-lettings-agencies-.html](http://www.crisis.org.uk/pages/social-lettings-agencies-.html)

households in terms of matching them with suitable quality accommodation and provide enhanced support to improve their skills and work opportunities during their tenancy.⁸⁹

The majority of social lettings agencies run by London boroughs are focused on finding private rented sector properties for homelessness prevention, temporary accommodation or discharging of a homelessness duty.⁹⁰ Most agencies are on a small scale and the struggle to find suitable properties within the LHA rate means they are often pursuing properties in cheaper boroughs. In order to persuade landlords to let their properties through the agency at the LHA rate, agencies offer guaranteed rent and property management or offer an upfront cash incentive. Incentives which can be £2,000-£5,000 per tenancy can still result in savings over nightly paid accommodation.⁹¹

It has previously been suggested local authorities establish social lettings agencies as a way to “deal with all the private renting procurement required by statutory agencies in a given area” as a strategy to control the cost of incentives.⁹²

Raising standards in the private rented sector

A social lettings agency may also aim to shift standards and practices in the broader private rented sector for households who are not immediately at risk of homelessness.

The goal of Move 51 which is a subsidiary of Homes for Haringey⁹³, is to raise standards in the private rented sector by ensuring decent property standards and below market fees for tenants, whilst also investing any surplus through landlord fees into social housing.⁹⁴

A London-wide social lettings agency?

Mayor Sadiq Khan’s manifesto pledged to improve the private rented sector by setting up a “London wide not-for-profit lettings agency, building on the work that councils have started.”⁹⁵ It’s possible that the intended broader knock on effects on the rental market might have a greater influence on the market at a London wide level. The London Housing Commission recommended that

⁸⁹ Crisis (2016) Social lettings Agencies

⁹⁰ Future of London (2016) A Social Lettings Agency for London? Viability and potential

⁹¹ Ibid.

⁹² Rugg, J. and Rhodes, D. (2008) The private rented sector: its contribution and potential

⁹³ LB Haringey’s Social Housing Arms’ Length Management Organisation.

⁹⁴ Future of London (2016) op cit.

⁹⁵ Khan, S. (2016) A Manifesto for all Londoners

a London lettings agency could use fee discounts to encourage landlords to offer longer tenancies.⁹⁶

Recent legislative proposals for London powers to reduce insecurity in the broad private rented sector

It is clear that rising rents in the private rented sector are both a growing cause of homelessness while at the same time boroughs have become increasingly dependent on private rented accommodation for homelessness prevention and relief. Particularly since the Localism Act 2011 has enabled local authorities to discharge their duty towards homeless households by making an offer of a 12 month tenancy in privately rented housing there is a danger of a circular logic emerging whereby households are made homeless through evictions, placed in expensive emergency housing from the private rented sector, then offered a (settled) short term tenancy which may not be sustainable in the long term. Shelter have called for a longer minimum tenancy when discharging a duty through a private rented suitable offer.

Interventions to influence the broader private rented market are also of relevance given this consideration. The London Housing Commission suggested DCLG should grant landlord licensing powers to local authorities and use licensing fee discounts or, where appropriate, licensing conditions to drive longer tenancies in their areas.⁹⁷

In March 2016 a London Assembly Housing Committee report recommended London should get powers to introduce a default rental contract of three years, with in-tenancy rent increases indexed to the CPI.⁹⁸

Potential for new solutions and interventions

The growing gap between the Local Housing Allowance rate and market rents represents an extremely challenging context. The examples above show boroughs taking bold and innovative steps to improve temporary accommodation outcomes. Many also seek to, at the same time, tackle the fundamental causes of the crisis of affordability in the private rented sector. Some questions for exploring new solutions and interventions might include:

⁹⁶ London Housing Commission (2016) Building a new deal for London: Final report of the London Housing Commission. IPPR.

⁹⁷ Ibid.

⁹⁸ London Assembly Housing Committee (2016) [At Home with Renting Improving security for London's private renters](#)

- What would be required to convert the stock of nightly rate properties into longer leases?
- Could the monitoring of inter-borough placements be used to identify and reduce unnecessary out of area placements?
- What would be the best use of the devolved temporary accommodation management fee for London boroughs?
- Are there barriers to housing companies expanding the development of new build for homelessness prevention and relief?
- What are the opportunities in preventative action that don't carry the risks of incentive payments leading to a bidding war?
- What additional data or digital tools could help housing options and homelessness prevention teams in their work?
- The London Land Commission identified 40,000 sites across the capital owned by public bodies, many vacant or underused. What is the scope for meeting temporary accommodation demand with modular buildings on these sites?
- How could the quality and user experience of housing options services be improved and give families greater certainty and control over their lives?
- Could shared or co-housing be beneficial if it was designed or organized differently?
- Could a combination of social concern, incentives and reassurance persuade owners of under-occupied properties to share them with families in housing need?

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