


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">8 OCTOBER 2018</p>	
<p>DELEGATED DECISION TO INCREASE INVESTMENT IN PRIVATE RENTED SECTOR ACCOMMODATION TO REDUCE NUMBERS IN TEMPORARY ACCOMMODATION</p>	
<p>Report of the Cabinet Member for Housing: Councillor Lisa Homan</p>	
<p>Open Report</p>	
<p>Classification - For Decision</p>	
<p>Key Decision: Yes</p>	
<p>Consultation: Procurement, Finance, Legal, IT, Risk, Commercial, Equalities</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director for Growth and Place</p>	
<p>Report Author: William Shanks, Delivery Manager</p>	<p>Contact Details: Tel.: 020 8753 6007 Email: william.shanks@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 For many years the Council has been brokering private rented sector accommodation for households faced with homelessness, as an alternative to entering Temporary Accommodation. In 2017/18, the Council brokered private rented sector accommodation for 150 households, (70% of which were out of borough), and began 2018/19 with a target to increase this to 200 a year.
- 1.2 Given that 628 households entered TA in 2017/18, and the total cohort in TA is 1,440, Direct Lets are only offered to a minority of households.
- 1.3 This report seeks to extend the practice. It seeks approval to invest £900k from the Temporary Accommodation Earmarked Reserve to secure 300 additional private rented sector properties (Direct Lets) over the next two years for the purposes of preventing homelessness or enabling households to exit Temporary Accommodation. This will still be a targeted approach, based on finding the households best able to live in the private rented sector, rather than a blanket approach for all homeless households.

- 1.4 The expectation is that this will reduce accommodation costs by c£2.1m over four years (£2.33 for every £1 invested) by avoiding expensive rental costs of short-term leased properties. This will help mitigate the impact of reducing government grants for TA (anticipated to total at least £4.2m and potentially up to £9.3m cumulative over the next four years). Doing nothing is not an option – the level of inflow into TA, and overall size of the cohort in TA, is not financially sustainable.
- 1.5 To support this investment, it is recommended that three additional measures be introduced to further encourage voluntary acceptances of Direct Let offers: clearer and more positive messaging to promote the Private Rented Sector at the front line, a new PRS Team to support households into the Private Rented Sector, and a change to our Housing Allocation Scheme so that households who accept offers of Direct Lets are not penalised with exclusion from the Housing Register.

2. RECOMMENDATIONS

- 2.1. That approval be granted for £900,000 to be invested from the Temporary Accommodation Earmarked Reserve to secure 300 additional private rented sector properties (Direct Lets) over the next two years.
- 2.2. That approval be granted for the service to pilot a dedicated PRS team for six months. The team will work intensively with different cohorts and trial different support offers so as to build the capacity of the service to encourage more households to accept Direct Let offers.
- 2.3. That approval be granted to change the Housing Allocation Scheme to enable officers to backdate a household's start date on the register to the date of the original Homelessness Duty acceptance, when households are subsequently accepted as Homeless within three years of having accepted an offer of a Direct Let. This change can be made by Cabinet Member authority.
- 2.4. That Cabinet notes the risk to the General Fund of up to £9.3m over the next four years which arises solely from reductions in Government grants.

3. REASONS FOR DECISION

- 3.1 Compassionate Council:
- 3.2 Compassion is about equipping people to live independent lives. Many households seeking Temporary Accommodation will have been living in the Private Rented Sector for years until they encountered a crisis – unemployment, arrears, family breakdown, mental health issues, substance abuse, etc. The compassionate response must be to help households tackle the root causes of the crisis, and help them to return to independent living – rather than to consider them to be permanently vulnerable and take them out of the private housing market for good.

3.3 Ruthlessly Financially Efficient:

- 3.4 The number of households in Temporary Accommodation (1,440) is unsustainable. It has risen 18% since April 2016 at a time when the London average has increased by 5%. The Homelessness Reduction Act threatens to increase front door demand even further, as a wider range of households are now entitled to advice and prevention services, and once in the system there is a risk that they will be accepted into Temporary Accommodation even if they do not meet the Priority Need criteria.
- 3.5 Increased demand forces us to use the most expensive forms of TA. The 17/18 and 18/19 budget positions are flattered by the receipt of one-off and short-term Government grants – the underlying trends are an increase in costs.
- 3.6 Deficits are set to increase significantly in 2019/20 when Government grants are expected to be £1.1m lower than 2017/18.
- 3.7 Funding beyond 2019/20 has not been set by the Government, but there is a real risk of further reductions which in the worst-case scenario would mean that grants are £4.2m lower than 2017/18 from 2020/21 onwards.
- 3.8 Unless demand can be controlled and the number of households in TA reduced to offset the impact of these grant funding reductions, the service will need to be subsidised to a much greater extent from the General Fund. The potential impact on the General Fund solely in terms of the reductions in grant funding is expected to be between £4.2m and £9.3m over the four years from 2018/19. These two scenarios are shown in the table below. The table shows the grant allocations that have been confirmed by Government up to and including 2019/20.

Temporary Accommodation Grants	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total Grant Income Loss
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
MHCLG Homelessness Prevention Grant - Trailblazer	85	240	279				
MHCLG Flexible Homelessness Support Grant	0	3,527	3,381	2,805			
DWP Universal Credit Local Authority Universal Support Grant	0	99	90				
MHCLG New Burdens Grant - Homelessness Reduction Act	0	225	206	195			
DWP UC New Burdens Funding	0	0	71				
All Temporary Accommodation Grants	85	4,091	4,027	3,000	0	0	
Loss of Grant Income relative to 2017/18							
Worst Case Scenario			(64)	(1,091)	(4,091)	(4,091)	(9,337)
Assuming known 2019/20 allocations only reduce by 10% each year in future					2,700	2,430	
Best Case Scenario			(64)	(1,091)	(1,391)	(1,661)	(4,207)

- 3.9 The incentives to secure Direct Lets are expected to avoid costs of £2.1m over four years, when Government funding may reduce by between £4.2m and £9.3m in the same period.
- 3.10 This initiative alone will not reduce the number of households in TA, and therefore costs, sufficiently to cover the loss of Government funding.
- 3.11 Why we need more Direct Lets:
- 3.12 Given that the flow of households from TA into our social housing stock is not going to increase, the most direct and reliable way to reduce the number of households in TA is to enable households to live in the Private Rented Sector rather than TA accommodation. The law permits the Council to discharge its homelessness duty if it can broker private sector tenancies that are affordable and suitable to the households needs.
- 3.13 The Council brokered 150 such tenancies (called Direct Lets) in 2017/18, all offered to households at the front door as an alternative to entering TA. If it had not done there would be 150 more households in TA right now.
- 3.14 If the number of households in TA is to reduce to a financially sustainable number, there is an urgent need to procure significantly more Direct Lets. This is possible – there are other Councils that procure 300, 400, even 500 Direct Lets a year (see appendix 4 for details, including a case study of Camden’s TA strategy).
- 3.15 There is a cost associated with Direct Lets as landlords almost always require a cash incentive in order to offer rent that is affordable to TA households

(usually well below market rents). This cost can be dwarfed by the savings generated by avoiding the cost of the household staying in TA (our reliance on expensive short-term leases means that TA accommodation can be very costly to the Council). So these incentives are 'cost avoidance payments' from the Council's perspective.

- 3.16 Direct Lets are therefore an effective means of reducing the cost of TA, but they require resources to be invested up front.
- 3.17 Why we need additional measures to encourage households to accept Direct Lets:
- 3.18 Whenever we offer a Direct Let to a household, it has been assessed as being affordable per the household's income, and suitable to their needs. However, at present, households can refuse an offer of a Direct Let (they are completely voluntary) and many do. They will be taken into TA instead.
- 3.19 This is not due to differences in living conditions. From the household's perspective there is little difference in the experience of living in a Direct Let and living in TA accommodation the Council has leased from a private landlord. Both forms of accommodation come from the same sector and the same landlords. However, our current policies provide a strong incentive to refuse a Direct Let and go into TA: households in TA are accepted onto the housing register and will eventually be offered social housing (with future Right To Buy rights etc) whereas households who accept a Direct Let will be deemed to be adequately housed and not accepted onto, or removed from, the register. Households motivated to acquire a Council House will therefore not accept a Direct Let.
- 3.20 The disincentive is that households that refuse a Direct Let will likely spend a long time in TA – 25% of those who move out of TA into social housing have spent more than 5 years in TA. Many singles will spend a long time in B&B accommodation. Across the country, the health and wellbeing outcomes for households in TA are much worse than average. Households may not be aware of these disincentives though – there are not communicated on our website and there are no standard messages for front line officers.
- 3.21 Refusal of Direct Lets means that officers spend time making multiple offers when they could be procuring more Direct Lets. It also risks alienating landlords – who will withdraw their offer of a Direct Let if it is not filled quickly.
- 3.22 We are proposing to introduce much clearer and positive messaging around Private Rented Sector accommodation at the front line. Direct Lets will be positioned as the default best choice for households.
- 3.23 We also propose to pilot a dedicated team to work with selected households to build their enthusiasm and capacity to live in the private rented sector and then match them to the most suitable Direct Lets. This Move On Team will work with different cohorts to establish which groups are responsive to different messages and offers of support. The goal is to establish what is

preventing clients from voluntarily moving into the PRS and working past those barriers.

Target groups are expected to include:

- families who are working and whose children are not at a key educational stage;
- singles with no support needs, and;
- families and singles with no support needs living in other boroughs.

The team will identify suitable households, explain the options available to them, set up viewings, negotiate with landlords and provide settlement support once they are in their new property.

- 3.24 Currently there is only a single officer with a dedicated role supporting households to accept Direct Lets. This officer has largely been focused on offering Direct Lets to no-duty cases (where the Council never had a duty to accommodate the household – see appendix 3). The experience has been that it requires 3.5 offers to achieve one acceptance. The purpose of introducing a dedicated PRS *team* is not just to increase the number of households that can be worked with, but to find ways of reducing this offer to acceptance rate.
- 3.24 We believe the key to encouraging households to accept Direct Let offers is to address the current imbalance of incentives whereby acceptance of a Direct Let leads to the household being excluded from the Housing Register and the prospect of future social housing. We propose that, after a household accepts a Direct Let, if their tenancy breaks down within 3 years, and the household presents again as homeless (through no fault of the household i.e. not ‘intentionally homeless’), the household will have the option to enter Temporary Accommodation and hence the Housing Register, with their start date on the register backdated to the first homelessness application before they accepted the Direct Let. The consequence will be that accepting a Direct Let will not cause the household to wait longer on the Housing Register if they later enter into Temporary Accommodation.
- 3.25 Households that remain in the PRS for more than three years without becoming homeless again, will remain off the Register, and if they do subsequently become homeless will not have their start date on the register backdated. There needs to be a time limit on this backdating clause – else you might have a household having their start date backdated ten years (pushing them to the top of the register) because they accepted a Direct Let ten years ago. Three years is felt to be a reasonable time limit. To be clear, households can of course be accepted into TA and onto the Register after three years – they just won’t have their start date back dated.
- 3.27 A number of London Councils have policies that ensure households that accept Direct Lets remain on the Housing Register. Hounslow allows households to join/stay on the Housing Register at the same band they would have been on when in TA. Instead of paying for five years of TA and then

offering a council house, the household is connected with a suitable, affordable Direct Let and must maintain themselves in the Private Rented Sector for five years...and then are offered a council house. This method has the same result, but with much less cost for the council.

Other Councils (e.g. Camden, Croydon and Lambeth) actually incentivise households to seek out their own or accept Direct Lets by prioritising them on the register – giving them additional ‘points’. The purpose of all the above policies is to incentivise clients to voluntarily take Private Rented Sector accommodation, which leads to less demand on the Council and minimising costs.

Such policies are difficult to implement in Hammersmith and Fulham while the Housing Allocations Scheme is based entirely on the principle of housing need, or being ‘adequately housed’. Other Councils have clearly introduced other principles that enable households that are adequately housed in the PRS to remain on their Housing Register. Our ‘backdating’ proposal maintains the principle that adequately housed households will not be on the Housing Register while providing reassurance to households that they will not ‘regret’ accepting a Direct Let, if in future, they become homeless again.

3.26 Prevention:

3.27 In addition to greater use of Direct Lets, facilitated by clearer messaging, a PRS team, and changes to the Housing Allocations scheme, the service must become highly effective at homelessness prevention, particularly for the singles and under 35s that make up a significant part of our demand but that we struggle to find cost effective accommodation for. The service has launched a one-year programme which will:

- develop online advice products
- enable self-referral with effective triage
- agree ways of working with partners that enable earlier intervention
- develop interactive personal housing plans, that link households to support services and help them take action to address their problems
- develop a specialist pathway for under 35 singles
- improve our Supported Accommodation pathways so more singles achieve independent living

3.28 Investing in Direct Lets now would create space for this programme to develop best practice prevention services and reduce the demand for Temporary Accommodation.

4. **PROPOSAL AND ISSUES**

4.1 Proposal – procure 300 additional Direct Lets:

4.2 It is proposed to procure an additional 300 Direct Lets over the next two years: 50 more in the remainder of 2018/19 and 250 more in 2019/20.

- 4.3 Households will be offered properties in line with our existing placement policies, which lay out the criteria for in-borough and out-of-borough placements. The criteria cover things like current employment, medical provision and child education. All placements will be within the boundary of the M25.
- 4.4 In 2017/18, 30% of Direct Lets were within Hammersmith and Fulham. 68% were in other London Boroughs (mainly in the West and East with 25% in Ealing alone). 2% were placed outside of London as these households wished to move out of the Capital. Appendix 5 shows the location of the Council's Temporary Accommodation stock – 43% of which is in borough. A household placed in a Direct Let is therefore less likely to be placed inside Hammersmith and Fulham than a household placed in Temporary Accommodation, but the difference is not great.
- 4.5 If these percentages were maintained, the proposal to procure an additional 300 Direct Lets would mean that 210 additional households would be placed outside of the borough. The alternative, of 300 households going into (or staying in) TA, would mean 171 additional households being placed outside the borough – so the impact of this proposal might be as little as 39 additional households being placed out of borough.
- 4.6 It is important to stress that the reason for the majority of Direct Lets being out of borough is that they need to be affordable for the household. The aim is to give the household the best chance of sustaining an independent life in the private rented sector. It might be that to find 300 affordable, sustainable Direct Lets, a higher proportion of Direct Lets are located out of borough, than the 70% experienced in 2017/18.
- 4.7 The table below shows the cost and cost avoidance implications the proposed increased Direct Let procurement. The table includes a best and worst-case scenario for the reduction in government grants relative to 2017/18:

Financial Year	Additional DLs*	Cost of DLs	Cost avoided (from fewer PSLX)	Best Case Scenario: Reduction in grant anticipated (relative to 17/18)	Worst Case Scenario: Reduction in grant anticipated (relative to 17/18)
	Nos.	£000s	£000s	£000s	£000s
2018/19	50	150	37	64	64
2019/20	250	750	624	1,091	1,091
2020/21	-	-	1,013	1,391**	4,091**
2021/22	-	-	424	1,661**	4,091**
Total	300	900	2,098	4,207	9,337

* A target of 200 Direct Lets has been set for 2018/19, with additional funding of £600k already drawn from reserves. It is assumed that this funding will continue in 2019/20. This paper is seeking authorisation for *additional*

reserves to be spent on top of the baseline 200 – an additional 50 in 2018/19, and an additional 250 in 2019/20.

** Funding beyond 2019/20 has not been set by the Government – so these are assumed figures. The best-case scenario assumes that the Government funding levels at 2019/20 will reduce by 10% each year from 2020/21 and the worst-case scenario assumes that Government funding ceases from 2020/21.

- 4.8 There will be quarterly monitoring of benefits realisation. This will take place at the TA Reduction Programme steering board. Every quarter we will review the number and cost of Direct Lets being procured, the reduction in accommodation costs, and whether the assumptions detailed below are being realised. Action will be taken if costs are not being avoided to the extent, and at the rate, originally envisaged – including the option of reducing the procurement of Direct Lets.
- 4.9 See appendix 1 for the key assumptions behind this calculation.
- 4.10 Proposal – increase investment in Direct Lets:
- 4.11 Direct Lets cost LBHF an average of £2,153 in 2017/18. This is low compared other boroughs, who pay up to £4.5k for Direct Lets (two-year leases). It may be that our low rate has capped the number of units we can procure. In this paper, savings from Direct Lets have been calculated on the basis of the average cost being £3,000.
- 4.12 It is proposed that Housing Solutions be equipped with a higher budget per household with which to secure a successful Direct Let. This could be used to pay higher landlord incentives (it may be that to achieve a higher volume of Direct Lets, higher incentives will be necessary), or for other expenditure that will facilitate the move and enhance tenancy sustainment (e.g. moving costs, the costs of tenancy training or floating support). The average of £3,000 will be flexed according to household size – with a higher budget for larger families than for singles (just as the average current cost of £2,153 is an average of higher incentives for larger accommodation and lower incentives for one-bedroom accommodation).
- 4.13 Increasing the budget to an average £3,000 per household will make it more likely that the volume of Direct Lets required will be procured, tenancies will be sustained and the expected savings will be realised.
- 4.14 Proposal – offer Direct Lets to households already in TA:
- 4.15 The service may struggle to deliver 300 additional Direct Lets if it continues to only offer Direct Lets to households at the front door before they have entered TA. The service is currently piloting offers of Direct Lets to households who are already in TA, for whom to accept a Direct Let would be to exit TA. It is important that this pilot continues and builds our understanding of the cohorts who are best suited to Direct Let offers. Rather than an arbitrary division in our response to households at the front door compared to those already in TA, the

service should be applying the same criteria of affordability and suitability to all households. Indeed, households that have been in TA for years are perhaps more likely to be suitable for a Direct Let offer than households at the front door who may recently have experienced a crisis. Overreliance on Direct Let offers at the front door risks the affordability and suitability criteria being stretched.

4.16 Offering Direct Lets to households already in TA is common practice amongst the majority of London Boroughs. In 2017/18, 19 of the 33 boroughs recorded households in TA accepting an offer of private sector accommodation and exiting TA.

4.17 See appendix 2 for potential issues and mitigations for these proposals.

5. OPTIONS AND ANALYSIS OF OPTIONS

5.1. Option 1: do not procure additional Direct Lets, pilot a PRS team, or make changes to the Housing Allocations Scheme (the status quo).

5.2. Option 2: procure additional Direct Lets but do not pilot a PRS team or make changes to the Housing Allocations Scheme.

5.3. Option 3: procure additional Direct Lets, pilot a PRS team and make changes to the Housing Allocations Scheme.

5.4 Analysis:

5.5 Option 1 has been rejected because maintaining the status quo will see the total number of households increase or, at best, remain at around 1,450. This would mean that the cost of providing Temporary Accommodation in 2018/19 would exceed the cost in 2017/18, while income from Government Grants has reduced by £64k in 2018/19. Failing to reduce the number of households in 2018/19 will mean a budget crisis in 2019/20, when Government Grants will be reduced by a further £1m. The grant funding available for 2020/21 and beyond is unknown so there is a risk of further reductions which could be as high as £3m a year.

5.6 Option 2 has been rejected because it is unlikely that the Council will be able to fill 300 additional Direct Lets over two years unless measures are taken to change our messaging around the Private Rented Sector, dedicate more resource to supporting households into the PRS, and change the balance of incentives. It is felt within the service that c150 a year is the limit of voluntary acceptances that can be achieved through the current approach and balance of incentives.

5.7 Option 3 was the chosen option because it enables the Council to significantly increase its investment in Direct Lets, confident that this will lead to a reduction in the number of households in TA and the delivery of the required savings. It will bring LBHF into line with other London Councils that procure more Direct Lets than we have historically, that dedicate more resource to

supporting households into the PRS, and that use their Housing Allocations Schemes to incentivise household to accept Direct Lets.

6. CONSULTATION

6.1 It is not proposed that consultation be carried out on these proposals.

7. EQUALITY IMPLICATIONS

- 7.1. As required under Section 149 of the Equality Act 2010, the Council has considered its obligations regarding the Public-Sector Equality Duty and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Equalities Act, from the investment in private rented sector leases nor from the piloting of a PRS team.
- 7.2. The Council already has a policy of offering Direct Lets to households that become homeless, as an alternative to Temporary Accommodation. The proposal in this report is to extend this practice – procuring additional Direct Lets and offering them to households already in Temporary Accommodation as a means of exit from TA. Direct Lets will not be offered to all households – just to households that meet criteria around suitability and affordability (to sustain living in the private rented sector). Applying these criteria, and the possibility of Direct Lets offers, to all homeless households (regardless of whether they have just become homeless or have been in TA for years) is deemed to be a fairer approach than the current practice of only applying the criteria to households when they first approach the Council.
- 7.3. A crucial safeguard is the fact that the Equality Act 2010 and Homelessness (Suitability of Accommodation) (England) Order 2012 requires us to make sure that any property we offer (including in the PRS) has to be suitable, which takes into account the specific needs of the individual. This incorporates affordability, location, access to relevant services, an individual's ability to travel, etc. This is reviewable through the legislation, and is challengeable in law. This provides significant protection against the risk that the needs of different protected groups are not taken account of.
- 7.4. *Implications completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.*

8. LEGAL IMPLICATIONS

- 8.1 As per Part VII of the Housing Act 1996 the council owes a number of principal duties and can exercise a number of powers depending on the individual circumstances of an applicant who may be seeking assistance under the Housing Act 1996 as a consequence of being homeless or threatened with homelessness.
- 8.2 For the context of this report, the main duties include an interim housing duty under s188 and also a full housing duty under s193 of the Housing Act 1996. Further, case law will need to be considered when identifying properties to be offered to applicants to ensure that the properties offered are suitable taking

into account the specific circumstances of the homeless applicant. As mentioned in this report, the Homelessness Reduction Act 2017 (which came into force on 3 April 2018) further extended the council's duties to those threatened with homelessness. It requires that local housing authorities take "reasonable steps" to either maintain or secure accommodation for eligible applicants threatened with homelessness in 56 days or less ("the prevention and relief duties").

- 8.3. Under the Housing Act 1996, all housing authorities must have in place an allocation scheme for determining priorities, and the procedure to be followed in allocation housing accommodation. This report suggests changes to the council's Allocation Scheme.
- 8.4. Prior to making modifications to its Allocation Scheme, and pursuant to s116A(12) Housing Act 1996, the council must have regard to:
- its current homelessness strategy
 - its current tenancy strategy
 - The London Housing Strategy

Further, where the council contemplates alterations to its Allocation Scheme which reflect a major change of policy, it must send a copy of the draft scheme or proposed alteration to every private registered provider of social housing and registered social landlord with which it has nomination arrangements, and allow such a reasonable opportunity to comment on the proposals.

- 8.5. *Legal Implications completed by: Patricia Rowe, Solicitor, tel.0208 753 2714.*

9. FINANCIAL IMPLICATIONS

- 9.1. The investment of £900k will be funded from the Temporary Accommodation earmarked reserve.
- 9.2. The current balance available on the reserve after taking account of existing commitments including the 2018/19 payments for direct lettings cost avoidance incentive payments of £600k, is £2.460m.
- 9.3. Any expenditure in excess of the £900k will require additional approval in line with the Council's financial regulations and constitution.
- 9.4. The unit costs of the investment and returns will be closely monitored. As set out in paragraph 4.5 above there will be quarterly monitoring of benefits through the TA reduction programme Steering Board. In addition, the results of this quarterly monitoring will be reported through the Council's corporate revenue monitoring regime.
- 9.5. Approving the £900k investment will leave a balance of £1.560m on the Temporary Accommodation Earmarked Reserve.

- 9.6. It's important to remember that the "business as usual" annual cost avoidance payments for Direct Lettings incentives of £600k per year, which are assumed to continue in the above report, are not part of core budgets. They are also currently funded from this earmarked reserve.
- 9.7. So after deducting the £900k there will only be sufficient funds left in the Temporary Accommodation Earmarked Reserve to cover the "business as usual" cost avoidance payments for direct lettings for 2½ years (i.e. until mid-way through 2021/22).
- 9.8. The table in paragraph 4.4 forecasts that the level of Flexible Homelessness Support Grant and other related government grants will diminish by a total of at least £4.2m and potentially up to £9.3m (as Government has not confirmed that Flexible Homelessness Support Grant will continue in 2020/21) between 2018/19 and 2021/22.
- 9.9. At the same time, the investment of £900k is anticipated to avoid costs of £2.1m. This will leave an unfunded gap in the General Fund of between £2.1m and £7.2m from the loss of grant income.
- 9.10. The table below sets out the impact on the General Fund based on a scenario in which the cost avoidance savings are delivered from the £900k investment required by this report. In addition, the figures below assume:
- the annual drawdown of a further £600k for cost avoidance incentive payments for direct lettings from the Temporary Accommodation earmarked reserve continues until the reserve is exhausted in 2021/22
 - the loss of Government Grant as confirmed by Government for 2019/20
 - a complete loss of grant for the two following years as Government has not confirmed that the Flexible Homelessness Grant will continue, i.e. a worst-case scenario in terms of grant,
 - are based on current demand for temporary accommodation only (the rising trend in demand has not been factored in) and assume that the prevention and gatekeeping approach by officers is effective in preventing further costs and demand.
 - Takes into account the June 2018 revenue forecast

This scenario still results in a cumulative unbudgeted cost to the General Fund over four years of £7.1m, with an ongoing annual cost that has risen to nearly £4m by 2021/22.

- 9.11 The table also presents a summary of the best-case grant scenario assuming that Government do commitment to future funding, there has been no indication to date that they will do this.

General Fund Impact	2018/19	2019/20	2020/21	2021/22
	£000s	£000s	£000s	£000s
Current Housing Solutions Net Expenditure Budget	7,605	7,214	7,214	7,214
Corporate Revenue Monitor Month 3 variance	(343)	0	0	0
Loss of Government Grant	0	1,091	4,091	4091
Requirement for cost avoidance payments following exhaustion of Temporary Accommodation reserve	0	0	0	240
Net forecast expenditure (assuming no demand or procurement cost increases)	7,262	8,305	11,305	11,545
Less: impact of increased investment in private rented sector (Direct Lets) accommodation	(37)	(624)	(1,013)	(424)
Net forecast expenditure	7,225	7,681	10,292	11,121
Variance (underspend)/overspend: worst case grant scenario	(380)	467	3,078	3,907
Variance (underspend)/overspend: best case grant scenario (10% reductions)	(380)	467	367	1,466

9.12 *Financial implications completed by: Danny Rochford, Head of Finance (Growth & Place), tel. 020 8753 4023.*

Implications were verified by Emily Hill – Assistant Director (Corporate Finance), tel. 020 8753 3145.

10. IMPLICATIONS FOR BUSINESS

10.1 No impact on local businesses.

10.1. *Implications completed by: Albena Karameros, Economic Development Team, tel. 07739 316 957.*

11. COMMERCIAL IMPLICATIONS

11.1. This report seeks approval for £900,000 to be invested for securing 300 additional private rented sector properties (Direct Lets). This approach, as explained in the report, will assist in controlling demand and reduce the number of households in TA.

11.2. Failure to control demand and increase in the number of households in TA could have a negative commercial impact on the Council's business as the service will need to be subsidised to a much greater extent from the General Fund.

11.3. The proposed approach will allow the Council to significantly increase its investment in Direct Lets. This will generate a reduction in the number of households in TA and the delivery of savings.

11.4. *Commercial implications provided by Andra Ulianov, Procurement, tel. 0208 753 2284.*

12 IT IMPLICATIONS

12.1 There are no IT implications arising from this report.

12.2 *Implications completed by: Tina Akpogheneta, Strategic Relationship Manager, tel. 020 8753 5748.*

13 RISK MANAGEMENT

13.1 Temporary accommodation is needed when a council has a statutory duty to accommodate a household. In 2017 The Local Government Association reported that the number of households approaching councils as homeless has been increasing as housing costs rise above incomes. For those priority need households that have nowhere else to go, councils have duties to provide accommodation. There is rising concern amongst local authorities about the increasing homelessness pressures being faced across the country. Many councils are finding it difficult to provide suitable accommodation for families facing homelessness at a cost that is sustainable.

13.2 The increasing unavailability of affordable housing further limits the options for councils trying to find settled and temporary accommodation for those that need it. As a country, local and national government spends significant levels of funding on temporary accommodation overall, and the net cost for councils has tripled in the last three years. This is unsustainable for councils, and disruptive for families. The picture for local government is difficult and changing fast. Some councils are losing millions of pounds per year on temporary accommodation, many others are facing challenges in needing to find more accommodation to meet rising homelessness demand.

13.3 Expenditure on temporary accommodation has been placing increasing demands on local authority general funds for some time, especially in London, but increasingly across the country as the unaffordability of private sector accommodation for people on low to median incomes, in receipt of housing benefit, has spread to more areas.

13.4 This Council, in managing this risk, is delivering inspiring and innovative work in line with our Council Priority, and acting so the most vulnerable among us are looked after.

13.5 *Implications verified by: Michael Sloniowski, Risk Manager, tel. 020 8753 2587.*

14 BACKGROUND PAPERS USED IN PREPARING THIS REPORT

14.1 NA

15 LIST OF APPENDICES

15.1 Appendix 1: Assumptions behind the financial impact calculations

Appendix 2: Potential issues and mitigations

Appendix 3: Case study – no duty households

Appendix 4: comparison to other London Boroughs

Appendix 5: location of H&F Temporary Accommodation

Appendix 1: Assumptions behind the financial impact calculations

Straight line impact:

Financial impact is calculated on a straight-line basis – i.e. it is assumed the 50 additional units in 2018/19 will be procured in tranches of 10 units per month between the 5 month period from November 2018 to March 2019. With each unit delivering 24 months of savings, it means that there is a 29-month window when savings from the 2018/19 units will be realised (the units procured in month 5 will stop delivering savings in month 29). April 2019 will then see the start of the additional 250 units to be delivered in 2019/20. It is assumed these will be procured in tranches of 20-21 units per month over a 12 month period, so there will be 41 months of savings realisation. The £2.1m of cost avoidance will therefore be delivered between 2018/19 and 2021/22.

It would be possible to realise the benefits earlier if more of the additional Direct Lets were procured earlier in 2018/19 and 2019/20. The service will strive to procure 300 Direct Lets as early as possible and look for opportunities to procure at scale with portfolio landlords.

Direct Lets reduce the use of short term leases:

The savings calculation is based on financial data that shows that short term leases (PSLX) cost the Council an average of £68.58 a week (as at 12/07/2018). Direct Lets will save the Council £68.58 a week if they stop or prevent the use of PSLX.

Where Direct Lets are used to effect exit from TA, they will be targeted at households living in PSLX. 50% of TA units are made up of PSLX (742 units). PSLX landlords often demand higher rents or incentives and the service are in a weak position to refuse, given the short length of leases and the risk of having to rehouse households quickly.

Where Direct Lets are used to prevent households from entering TA (when they are offered at the front door) it won't always be preventing the use of a PSLX (households can be placed in long term leases, B&Bs, hostels etc instead – all of which cost less than £68.58 a week). The majority of households entering TA do get placed in PSLX. Since April 2016, the number of PSLX units has increased by 464 units, while the number of long term leases (PSL) has only increased by 37 units, and the number of B&B units has increased by 59 units.

The average weekly cost of PSLX covers a wide range of costs for different locations and sizes of accommodation. It is important that a sufficient number of Direct Lets are accepted by households in expensive locations and the costliest bedroom sizes (two and three bedrooms) to ensure that the average saving is consistent with the £68.58 per week expected. The Procurement team will have clear targets and savings realisation will be closely monitored.

Maintaining a low rate of household return:

The key assumption in the savings calculation is that 94% of Direct Lets will deliver

two years of savings. This is based on analysis of all households who have accepted a Direct Let in the past, tracking their unique ID number to see if they ever returned to make contact with Housing Solutions. Of the 254 households who accepted a Direct Let between April 2013 and April 2016¹, only 7.1% returned within two years, and only 5.9% of those returning (15) were accepted into TA or accepted another Direct Let (the remainder received advice only). Only 11.8% returned at all before March 2018 (when the analysis was carried out), with 10.2% accepted into TA or accepted another Direct Let – suggesting that for the vast majority of Direct Lets, savings are generated well beyond two years.

The savings calculation is based on two years (with 5.9% of the units lasting for 17 months) as the service strives for the lease between the Direct Let landlord and tenant to be two years long. It is rare to have leases any longer than this. The service currently accepts one-year leases if two-year leases cannot be secured.

The rate of household return from Direct Lets will be closely monitored. If the return rates start to consistently rise above 6% then the expected savings will be re-calculated. For example, if the return rate rose to 20%, this would reduce the cost avoidance saving by £90k. The steps taken in response could include a reduction or re-targeting of Direct Let procurement. It could involve refusing to accept one-year leases.

¹ Cut off of April 2016 as any Direct Let accepted after that point could not possibly have delivered two years of savings (analysis carried out in March 2018). No data available before April 2013.

Appendix 2: Potential issues and mitigations

Tenancy sustainment:

The key to the delivery of savings is for tenancies to be sustained once a household has accepted a Direct Let. There are a number of steps that the service can take to maximise tenancy sustainment – which is essentially about keeping landlords happy by ensuring they are given good tenants who pay their rent and don't cause issues:

- **Strict affordability checks:** not placing household anywhere where they cannot completely afford the rent. Subject to suitability, this will mean in practice that most of the Direct Lets are placed out of borough. This helps guarantee that rent can and will be paid and the tenancy won't break down.
- **Tenancy training:** requiring households to engage with tenancy training sessions which teach them how to be a good tenant and what to expect in the PRS. This helps set the tenant up on the right path from the beginning.
- **Resettlement support:** offering clients support from a caseworker to ensure they are successfully settled and set up in their new accommodation. This includes help with bills, rent payments, schools and, most importantly, completion of welfare applications. Support with moving costs might be an incentive for some households. This could be a risk-based rather than a blanket offer – with support offered to households deemed to have some risk of their tenancy breaking down.
- **On-call service:** having a helpline that landlords or tenants can call when issues arise that endanger the tenancy (i.e. rent arrears). There is a need to balance the need to sustain the tenancy, with the risk of prolonging a dependent relationship between the landlord/tenant and Council, which maximises the likelihood that, at the end of the tenancy, the tenant will seek Temporary Accommodation once again or the landlord will seek further incentives to renew the tenancy. The aim of Direct Lets is to return the household into a normal private rented sector relationship, independent of Council support.

Landlord dependency on incentives:

There is an inherent risk that a programme of mass Direct Let procurement, based on landlord incentives, will result in landlords becoming 'hooked' on incentives – only extending tenancies if another incentive is provided.

It should be noted that Direct Lets secured with a £3,000 incentive will pay for itself in 44 weeks – so that even if a landlord receives an incentive every time a two-year tenancy (or indeed even a one-year tenancy) ends, there will still be savings generated. Such is the cost of PSLX. Such an approach is not sustainable though as reserves will become depleted.

Other Councils, such as Camden, have a policy of never paying a second incentive. They balance this by offering higher incentives for longer leases. For instance, for a two-bedroom property in-borough, they will offer £2,000 for a one-year lease, or £7,000 for a three-year lease. Camden are sufficiently confident in their ability to

procure enough properties, their quality of service to landlords, and the effectiveness of their tenancy training and sustainment, that they are able to disengage from those who seek second incentives.

The Council has the option to adopt a similar policy if incentive seeking amongst landlords becomes a problem. At the outset, it would be logical to adopt a policy of denying second incentives to landlords where the original tenancy had broken down before the end of the agreed lease – so that landlords aren't being rewarded for evicting tenants early.

Appendix 3: Case study – no duty households

The Council has traditionally had a number of households being accommodated in TA for whom no homelessness duty has been accepted or owed. These 'no duty' households include households who would be deemed intentionally homeless (having been evicted from social housing due to their high arrears and/or anti-social behaviour) or households who don't meet any of the criteria for the homelessness duty but have been accommodated at officer discretion.

Between April 2016 and October 2017 there were always between 35 to 50 'no duty' households being accommodated. Since October 2017 there has been a concerted effort to reduce the number of 'no duty' households – by offering them Direct Lets. As a result, there are currently only 15 'no duty' households being accommodated (as at 26/08/2018).

Dedicated office resources has been deployed to on find suitable and affordable Direct Lets for this cohort. What this case study illustrates is that Direct Lets are an established practice and have proven successful even with a cohort that can be challenging and uncooperative.

Appendix 4: comparison to other London Boroughs

In 2017/18, LBHF procured 150 Direct Lets – slightly higher than the London average of 129. Five boroughs procure significantly higher numbers of Direct Lets than other boroughs:

	Direct Lets accepted by HHs at front door (prevention) during 2017/18
Barnet	623
Barking and Dagenham	558
Croydon	531
Lambeth	489
Enfield	383

Case study: Camden

Since 2007 Camden have been able to achieve a c.80% reduction in households in TA (to 325 as at April 2018).

In Camden, TA is not a strong route into social housing (only 59 households exited TA into social housing in 2017/18). Households in TA may be offered only 1 Direct Let before Discharge into the Private Rented Sector (and potential eviction). Instead there are incentives to stay out of TA - households that agree to accept a Direct Let (rather than go into TA) will be made 3 offers of Direct Lets. Camden therefore send a clear message that there is much more choice available to households who stay out of TA.

Camden still pay to accommodate homeless households who have agreed to accept a Direct Let, but for whom there is nothing yet available – so their strategy is dependent on having a reliable supply of Direct Lets.

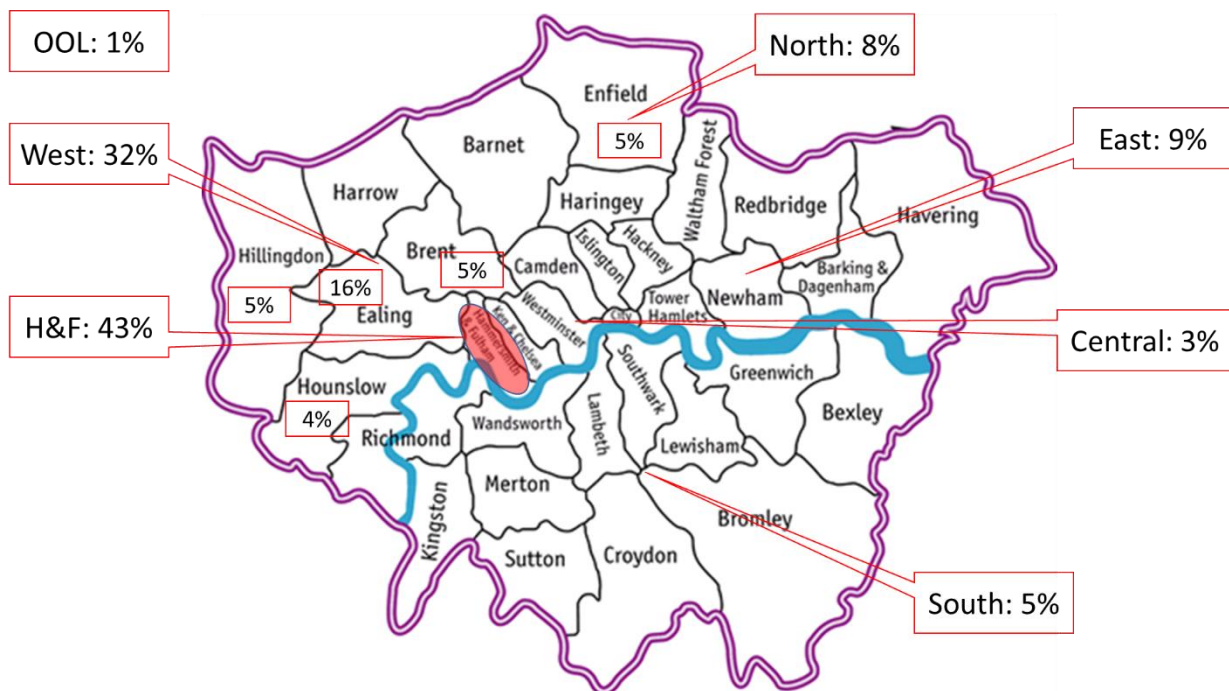
Also key to Camden's strategy is to invest in tenancy preparation and sustainment—when they place households in Direct Lets, they want that tenancy to be sustained.

Appendix 5: location of H&F Temporary Accommodation

The map below shows the dispersal of LBHF's TA units at the end of June 2018. Households were accommodated across 29 different London boroughs and 11 locations outside of London (OOL).

- 57% of TA units are outside of Hammersmith and Fulham.
- 28% of units are in neighbouring boroughs (Brent, Ealing, Hounslow, K&C, Richmond, Wandsworth).
- 19% are in Outer London Boroughs (5% in Enfield, 5% in Hillingdon).

Note that of the 43% of in-borough accommodation, 22% is made up of units directly owned by the Council or leased from Housing Associations. This is relatively fixed stock that is difficult to increase. 21% is made up of B&Bs or properties leased from private landlords – the most expensive form of TA.



West:	Harrow, Hillingdon, Brent, Ealing, Hounslow
North:	Barnet, Enfield, Haringey
Central:	K&C, Westminster, Camden, Islington
East:	Tower Hamlets, Hackney, Newham, Waltham Forest, Redbridge, B&D, Havering
South:	Richmond + all boroughs South of Thames
OOL:	Manchester, Birmingham, Guildford, Luton, Dartford, Thurrock, Colchester