



Cabinet
14 March 2015

**Report from the Strategic Director,
Community Wellbeing**

For action

Wards affected: All

Temporary Accommodation Reform Plan

1. Summary

- 1.1 This report sets out a plan of action to improve the quality of accommodation and services available to homeless households at reduced revenue cost to the council, whilst alleviating the pressure to allocate so much social housing to homeless households. The main points of this are summarised in the report with the Temporary Accommodation Reform Plan appended as Annex 1.
- 1.2 The proposed programme over the next three years is based on an analysis of the types and costs of Temporary Accommodation and the costs and difficulties in provision of private rented sector accommodation for homeless households by the borough at present and going forward.
- 1.3 The plan attempts to estimate likely homelessness demand to the end of 2018/19. By comparing that with estimated supply of different types of accommodation to prevent homelessness and accommodate homeless households over the same period, it estimates the likely trend in numbers in temporary accommodation and the associated costs to the council without reform.
- 1.4 The analysis shows an improved financial position in 2016/17, as the council benefits from the success of its efforts to reduce the use of Bed & Breakfast (B&B) accommodation in 2015/16. However, after 2016/17, without reform we can expect to see increasing pressures and costs to the council as private sector rents diverge further from Housing Benefit levels, causing increased homelessness and reducing the council's ability to end a homelessness duty in the private rented sector (PRS) year on year.

- 1.5 The Temporary Accommodation Reform Plan sets out a number of key actions to address this, including:
- The acquisition and development of a substantial portfolio of long term PRS accommodation which can be let to homeless households at Local Housing Allowance rates.
 - Development of council owned land to deliver improved, self contained temporary accommodation for emergency and short term use as an alternative to B&B.
 - Roll out of the new Find Your Home prevention scheme, which the council has been piloting, to entrench homelessness prevention and early intervention as the council's main approach to working with households at risk of homelessness to resolve their housing crisis.
 - An improved approach to helping households to gain or keep employment and to settle successfully into new accommodation.
- 1.6 If successful, implementation of this plan will deliver long term savings to the council and better quality accommodation for homeless households, whilst reducing pressure on the council's social housing allocations.
- 1.7 The report asks for approval of a number of specific measures within the plan including commitment of funds to purchase private rented sector accommodation suitable for long term occupation by homeless households.

2 Recommendations

That Cabinet:

- 2.1 Note the analysis of current and future temporary accommodation supply and cost issues for the next three years.
- 2.2 Approve the approach set out in the Temporary Accommodation Reform plan to improve the quality of accommodation for homeless households at reduced cost to the council over the period to March 2019 summarised in this report and set out in Annex 1.
- 2.3 Approve initial capital expenditure of £10m for the acquisition of private rented properties (as set out in paras 7.27 to 7.39 of this report and Annex 1) subject to financial criteria to be agreed by the Chief Finance Officer.

Detail

3 Introduction

- 3.1 Brent has one of the highest numbers of households in Temporary Accommodation (TA) in England. Although the borough has been successful in reducing numbers recently, against the overall London trend, and has managed to dramatically reduce the number of households in Bed & Breakfast accommodation during 2015/16, there are still too many

households in temporary accommodation which is inadequate for their needs, and the needs of their children.

- 3.2 As part of the overall financial management of the Council resources due to significant reduction in government funding, the Housing Needs budget was reduced by £1.3m in 2015/16 with additional £0.5m proposed for 2016/17 and 2017/18 respectively. Given the increased levels of demand the council is experiencing and the increasing costs of securing accommodation for homeless households, there are likely to be increasing pressures on the Housing Needs Budget going forward.
- 3.3 Despite devoting 80% of social lettings to homeless households in TA the borough is very reliant on private rented sector accommodation to provide TA or to end a homelessness duty. Private rented sector (PRS) accommodation in Brent and elsewhere in London is however becoming increasingly difficult to obtain at rates covered by housing benefit, and this situation is likely to worsen considerably in the medium term as Local Housing Allowance levels have been frozen for 4 years against a back ground of increasing private sector rents. The council therefore anticipates increasing difficulties in future years due to increased homelessness from the loss of Assured Shorthold Tenancies and increased difficulty in sourcing PRS accommodation.
- 3.4 It is very difficult to give accurate estimates, however if current trends continue, then the council's success in reducing the number of families in Bed & Breakfast accommodation in 2015/16 from over 200 households to under 50 means that Brent's net non-staffing spend on TA and PRS landlord incentives looks likely to decrease from around £3.3M in 2015/16 to just over £2.3M in 2016/17. Due to increasing demand, it is however then likely to rise again to around £3.4M by 2018/19. Beyond 2018/19 this will probably worsen further thereafter against the background of a challenging local authority financial position. The borough is also, increasingly, having to resort to sending homeless households outside Brent, and outside London as far as the Midlands in order to be able to place them in affordable accommodation.
- 3.5 However there are a number of measures the Council is already taking or planning to take to help remedy this situation, including success in making Private Rented Sector Offers (PRSOs) to end a homelessness duty, the establishment of an officer permanently based in the West Midlands to help the resettlement of families who move there, the use of buildings awaiting redevelopment for use as temporary accommodation, and an intense focus on reducing bookings of families into Bed & Breakfast Accommodation wherever possible.
- 3.6 The Temporary Accommodation Plan builds on the progress to date and sets out a number of key measures to further reduce reliance on temporary accommodation, improve its quality and reduce its cost.
- 3.7 The main measures outlined in the Plan are:
 - Roll Out of the "Find Your Home" programme, which aims to prevent homelessness by intervening early and empowering households threatened with homelessness to access PRS accommodation in areas they can afford.

- Making all ¹Stage 1 short term temporary accommodation self contained by planned development of identified sites in Brent.
- Improved procurement of PRS accommodation to prevent homelessness or end a homelessness duty, including by external commissioning and through a pilot project with other West London boroughs.
- Acquisition of a large portfolio of long term PRS accommodation in which to be able to accommodate households who have been homeless at LHA rates into the future
- Development of new build LHA rent PRS accommodation inside and outside Brent.
- Development of a more integrated package to assist housing needs clients into employment.
- Enhanced resettlement services in the main areas where the council is placing homeless households.

3.8 Much of this work will require significant co-operation within the council and with external partners to achieve, but it offers the prospect, within a few years, of drastically reducing the short term and long term use and costs to the council of providing temporary accommodation, while also significantly improving the standard and security of accommodation for homeless households.

3.9 This could be achieved at the same time as significantly reducing the proportion of social lets allocated to homeless households, and enable a greater proportion of these to be made available to other non-homeless households who are not homeless but are in acute housing need.

3.9 It is, however, unlikely that all the accommodation needed will be able to be provided within Brent, as housing market trends allied to the lack of available land for development within the borough preclude this. Median private rented sector rents in the South of Brent are over £400 per month higher than Local Housing Allowance will pay in the South of the borough, and £200 per month higher in the North of the borough.

3.10 It will be essential when housing people inside Brent or outside London that as much as possible is done to ensure that homeless households have the best chance to resettle into their new accommodation, find or keep employment, and access good educational opportunities for their children. The Council's employment and skills department will work closely with Housing Needs to achieve this and also to assist households in existing Temporary Accommodation.

¹ Stage 1 temporary accommodation is defined as accommodation in which households who approach the council in an emergency may be accommodated for a short time pending assessment of their case and/or while longer term accommodation is found. Stage 2 temporary accommodation is self contained accommodation of a size suitable for households to live in for an extended period. An intermediate stage of "step down" accommodation is also required for households, whose case has been assessed and who need to stay in Brent, but for whom suitable stage 2 accommodation cannot yet be found.

4 Current Temporary Accommodation Summary

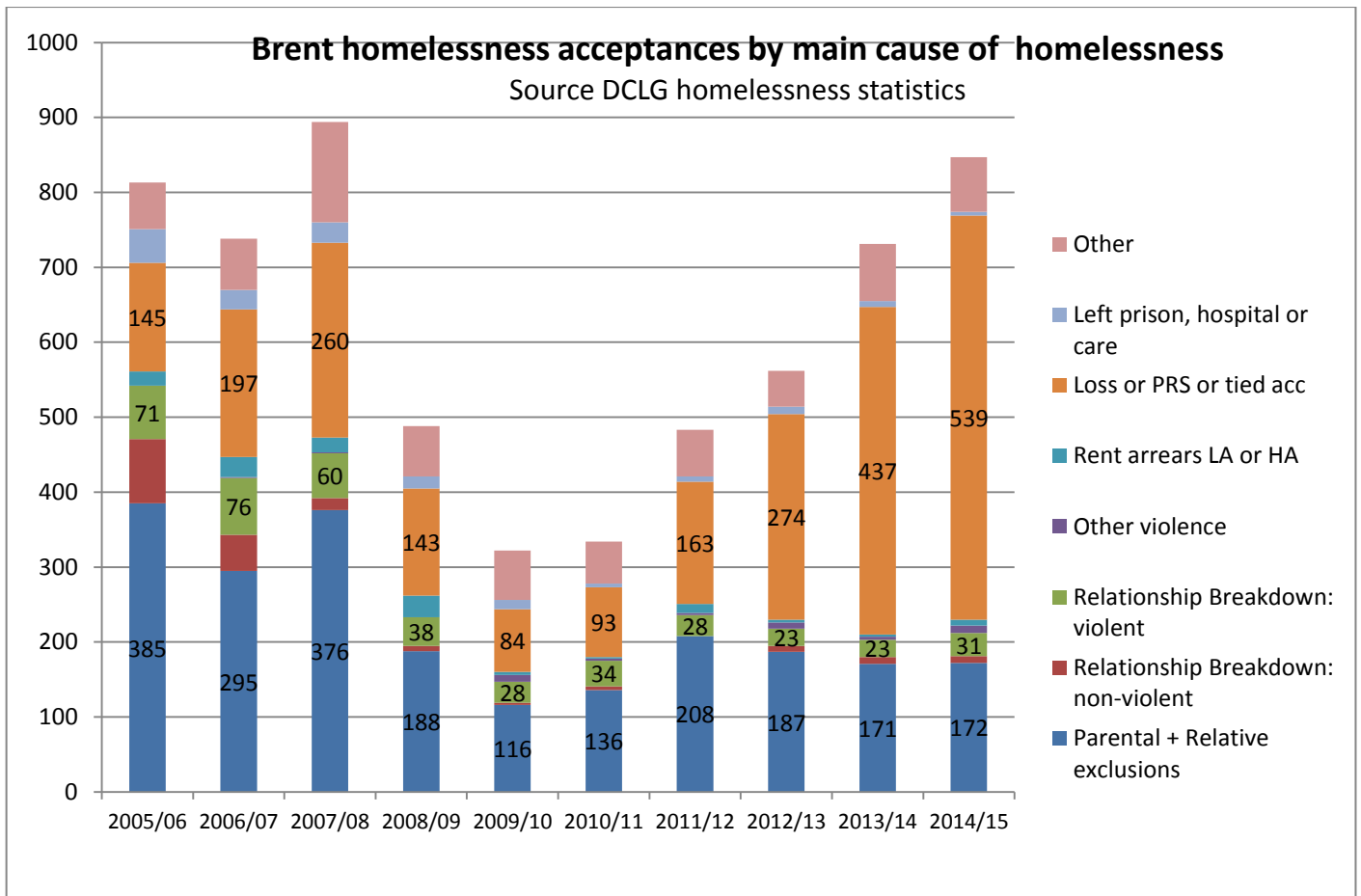
- 4.1 Brent Council currently has the fourth highest number of households in Temporary Accommodation (TA) in England at almost 2945 households, compared to the London average of less than 1500 households.
- 4.2 Although over 90% of Brent's TA portfolio is good quality self contained accommodation managed by Housing Associations or professional managing agents within the borough, a significant proportion of TA is B&B or hostel accommodation with shared facilities or self contained hotel studio annex accommodation unsuitable for families for long periods. Increasingly, due to lack of alternatives, Brent is providing TA outside of the borough.
- 4.3 The council has been very successful in reducing the number of households in Bed & Breakfast but the number of households living in rooms of one sort or another with shared facilities is still over 100 (103).
- 4.4 Additionally, Brent has 76 households in hotel annexe accommodation, which often means whole families living in basic studio accommodation, and is not satisfactory for long periods.
- 4.5 Households placed in TA before 9th November 2012 (still almost 2000 households) can eventually expect to move into social housing and are currently being allocated a target of 80% of social lettings under Brent's lettings policy at the expense of other households who need social housing. Nevertheless, the average time in TA for those who were allocated social housing from TA in 2015/16 is 9 years, albeit most of these households were living in decent quality self contained temporary accommodation.
- 4.6 The amount of Discretionary Housing Payments the council receives, which can help to subsidise some of these losses, fell by 40% (£1.3m) in 2015/16. The DHP budget for 2016/17 has just been announced, and is £2,866,279 for Brent which is an increase of £259K or 10% on this year. This will mitigate the impact somewhat, but it is a 10% increase against a 379% increase in the number of households expected to be affected by the reduced Overall Benefit Cap and the increased shortfall of £60 per week for those already capped.

5 Current and Future Homelessness Demand

Homelessness acceptances

- 5.1 Homelessness acceptances have been rising steadily in Brent and have more than doubled over the past 5 years.
- 5.2 This growth is entirely due to the increase in homelessness as a result of the loss of a private sector tenancy. The growing unaffordability of the private rented sector in Brent to families on low incomes is now overwhelmingly the main driver of homelessness acceptances in Brent, with other causal factors relatively stable, as shown in Chart 1.

Chart 1.



Private Rented Sector position and implications for loss of Assured Shorthold Tenancies

- 5.3 Projecting forward for four years on the basis that housing benefit levels are frozen over that period as the government has set out, and with a conservatively estimated annual rent rise of 3% per year, then the number of households with a rent shortfall of at least £10 per week rises to an estimated 11,000 households (a 96% increase) and the group with a shortfall of at least £25p.w. rises to 8,980 households (a 138% increase). More detailed information on this is shown in Annex 1.
- 5.4 So there is considerable uncertainty, but taking the number of households in the LHA caseload with a shortfall of at least £25p.w. as the indicator of homelessness pressures in the PRS, then a doubling of homelessness from the PRS might be expected over the next 4 years as a rough estimate.

Estimate of future homelessness demand

- 5.11 It is not possible to project with certainty future levels of homelessness demand, which if not otherwise addressed may lead to a need for temporary accommodation. If it is

assumed that homelessness from causes other than loss of an AST remains stable, Table 1 provides an estimate of future total homelessness acceptances:

Table 1.

| Year | Estimated Homelessness Acceptances | % increase |
|---------|------------------------------------|------------|
| 2014/15 | ² 683 (actual) | |
| 2015/16 | 795 | 17% |
| 2016/17 | 908 | 14% |
| 2017/18 | 1020 | 12% |
| 2018/19 | 1133 | 11% |

- 5.12 To simply maintain the current number of households in TA in the period up to 2019, the supply of non temporary housing available to clients accepted as homeless would need to increase by about two-thirds from 682 lets in 2014/15 to 1133 lets in 2018/19.
- 5.13 The actual number of homeless acceptances will, however, depend on a range of factors outside the council's control. These include changes to national homelessness policy and legislation, the behaviour of the housing market, DHP levels, rental inflation and landlord behaviour.

6 Current Supply of Accommodation for Homeless Households

Social Housing Lets

- 6.1 80% of social housing lets are expected to go to homeless households in 2015/16 as aimed for in 2014/15, mainly those placed in TA before November 2011, where there is no power compulsorily to end a homelessness duty in the private rented sector.
- 6.2 Assuming that the 80% rate continues, analysis of projected new build and relets shown in Annex 1 leads to an estimate of lettings to homeless households as set out in Table 2.

Table 2. Estimated Social Lets to Homeless Households³

| Year | Relets | New Build | Total | Total x 80% |
|---------|--------|-----------|-------|-------------|
| 2015/16 | 450 | 320 | 770 | 616 |
| 2016/17 | 450 | 250 | 700 | 560 |
| 2017/18 | 450 | 330 | 780 | 624 |
| 2018/19 | 450 | 129 | 579 | 463 |

² This differs from the figure of 854 in Chart 1., as P1E figures were over reported by Brent in 2014/15

³ Projections for future years do not take into account the potential impact of the Housing & Planning Bill and high-value void disposals by the council, as the impact cannot currently be assessed.

This is probably the absolute maximum that could be achieved, given historical performance, the very high level of 80%, and the likely decline in relets over the next few years.

Private Rented Sector Offers (PRSOs) and Preventions

- 6.3 Brent has embraced the Localism Act power to compulsorily end a homelessness duty in the private rented sector and has been the most successful local authority in England in doing so. The ending of a duty in this way is known as a PRSO.
- 6.4 In 2015/16 to end January 2016, the council has made 203 successful PRSO and 31 homelessness prevention placements. The PRSO placements are overwhelmingly outside Brent, with a significant proportion being in the West Midlands. To secure these placements typically requires an incentive payment to be made to the landlord at an average of £5,000 per property.
- 6.5 If the current rate of progress in 2015/16 is maintained, this would result in approximately 244 PRSOs and 37 non Find Your Home preventions for the whole year at a cost of around £1.38M including a proportion of DHP funding.

7 The Temporary Accommodation Reform Plan

7.1 The implication of the above analysis, which is set out in more detail in **Annex 1** is that, whilst Brent has been successful in reducing the use of B&B in 2015/16 and therefore can expect lower costs in 2016/17 even if nothing further is done, the overall medium term trend is very challenging for the following reasons:

- Homelessness demand from the Private Rented Sector is expected to increase markedly.
- Procuring PRSOs is likely to get more difficult and more expensive, and in all probability, the accommodation which can be procured will be ever more distant from Brent in areas of the country in economic difficulty.
- Less social housing lets are likely to be available in the medium term as new build affordable housing for rent is harder to develop, and relets decline further.
- The ability of the council to bear long term revenue losses on provision of TA and PRSOs is likely to be harder to sustain due to wider funding constraints.

7.2 It is therefore proposed that the council takes a number of key measures, as summarised below.

Find Your Home Scheme

7.3 The council has embarked on an important change to the way it administers frontline services for households at risk of homelessness through the new Find Your Home project.

This relies on intervening earlier in housing crises, preventing homelessness wherever possible.

- 7.4 Where efforts to assist a household to remain in the same accommodation do not succeed, Find Your Home works by empowering people to find alternative accommodation at an earlier stage through use of staff support coupled with an innovative IT system which makes it easy to search for affordable properties in Brent and around the country. Importantly, Find Your Home reduces the amount of officer time spent on assessing individual households circumstances in order to make a homelessness determination, and increases the amount of officer time spent on helping households to find accommodation.
- 7.5 It is hoped to directly reduce the use of stage 1 temporary accommodation by helping more households to find private rented accommodation before they actually become homeless, and therefore need emergency accommodation.
- 7.6 The Find Your Home Scheme aims to work with households at risk of homelessness well before they actually lose their home, and harnesses the energy of those households to find a property they can afford in an area they are happy to live in. This will, however, often be outside of Brent.
- 7.7 If households are not successful at finding a property with the Council's help, then Brent will offer them suitable accommodation through a PRSO before they lose their home, and avoid the need to use emergency accommodation. This is dependant however on being able to access suitable PRS accommodation to make PRSOs, as discussed below
- 7.8 A pilot of the Find Your Home scheme began in late September and over the first four months of operation has enabled 42 households to secure private rented accommodation and avoid being booked into Temporary Accommodation at an average cost per property of £1.6K, which is about one-third of the average cost of a PRSO.
- 7.9 An evaluation of the pilot has been undertaken to refine the service and it is planned that this approach will be rolled out so that it becomes the main approach to dealing with households at risk of homelessness from 16/17.
- 7.10 Households using the Find Your Home service will be offered resettlement support and assistance to meet their employment and training needs as outlined below.

Make all Stage 1 TA self-contained

- 7.11 Even if Find Your Home is very successful at avoiding the need to use Stage 1 TA, there will still be a need for some short-term accommodation for:
 - Households who come to the council for help too late to make use of Find Your Home
 - Households who are difficult to accommodate in the PRS e.g. because they need accommodation in Brent
 - Households who are making progress in finding their own property through Find Your Home, but have not succeeded by the time they become homeless, and whom the council would like to give more time to rather than making them a PRSO offer without choice of location.

7.12 It would be much better for both financial and welfare reasons to offer such households good quality self contained accommodation of a reasonable size, rather than overcrowded B&B or other accommodation with shared facilities or studio annex accommodation.

7.13 It is planned to undertake two major development projects in order to secure such a supply.

a) Redevelopment of Knowles House

7.14 Knowles House is a former sheltered accommodation project on Council land, which has been successfully used as a temporary accommodation hostel for the past 2 years. The building currently comprises 46 rooms with shared facilities and 3 self contained flats.

7.15 Subject to agreement by Cabinet, it is planned to redevelop the site to include approximately 85 small self-contained 2 and 3 bed flats used for temporary accommodation including 7 units with disabled facilities as well as 40 NAIL units.

7.16 Subject to approvals and planning permission, the new TA units could be ready in 2017.

7.17 This would give 85 good quality long term self-contained stage 1 TA emergency accommodation units and save the council £0.34M in revenue per year through reduced need for B&B and EHL properties, as well as acquiring a capital asset.

7.18 Specific proposals for the redevelopment of Knowles House to provide this accommodation will come to a future Cabinet meeting.

b) London Road Site

7.19 Subject to approval of the business case by the Capital Investment Board and approval by Cabinet at a future date it is proposed to develop on the council's London Road site another 30 to 40 small self contained "step-down" TA units for people who need to remain in Brent, but cannot quickly be moved into long term accommodation. This would be the first part of a wider redevelopment of the whole site over the next few years.

7.20 The accommodation could be ready before the end of 2017, subject to approvals and planning permission.

Procure more PRSOs/prevention lets more cost effectively

7.21 Despite leading in this area nationally the council currently struggles to procure PRSOs in sufficient numbers to meet its needs, at a sustainable cost.

7.22 Recognising the difficulties of sourcing PRS accommodation close to Brent, there are nevertheless opportunities to be explored.

7.23 The TA Reform Plan at Annex 1 sets out a number of measures to increase the council's internal procurement of PRS accommodation, including increased joint working with

Private Housing Services to secure additional lettings to homeless households in Empty Homes and in connection with the council's PRS Licensing schemes.

- 7.24 The council also intends to commission external organisations to secure additional units of accommodation and is working with the West London Housing Partnership boroughs on a joint procurement pilot in target areas outside London.

Access social housing lets in low demand areas

- 7.25 Council officers have reached agreement with Newcastle City Council to refer households who would like a social housing property, but who cannot reasonably expect to secure one in Brent, to bid for social housing in Newcastle, where there are family sized social housing units that are difficult to let. It is probable that a proportion of homeless households in Brent would prefer a social tenancy in Newcastle to a PRS offer in Birmingham.
- 7.26 If this is successful, there is potential to reach similar agreements with other local authorities in a similar position to Newcastle.

Direct access to own long term affordable PRS accommodation

- 7.27 While the above options will help to secure access to accommodation in which to prevent homelessness or end a homelessness duty it is likely that this will become progressively harder as the divergence between market rents and what Housing Benefit will pay increases.
- 7.28 If the Council relies on procurement of PRS accommodation in the market, then the likely trend is towards higher costs, and households being displaced further and further from Brent.
- 7.29 It is therefore proposed that the Council acquires access to a large portfolio of PRS accommodation which will be well managed in the long term and in which costs can be controlled, minimised and protected against rental inflation.

a) Purchase of existing properties

- 7.30 The Council commissioned Social Finance in 2015 to investigate the options for the acquisition of a significant portfolio of PRS properties which would be available for the council to end a homelessness duty over the long term, which would be professionally managed and which would be pegged to LHA rents.
- 7.31 There are a number of possible ways this could be done ranging from the Council directly purchasing properties, entering into a joint venture to purchase properties, or entering into a long term agreement to guarantee occupancy and/or rental income with an external supplier.
- 7.32 As part of this analysis, Social Finance approached a number of organisations who are interested in working with Brent, including Cheyne Capital, Mears Omega, Aviva Investors, Notting Hill Housing Trust and the Real Lettings Fund. They have also drawn on their

experience of working with LB Enfield to set up a local authority owned housing company for this purpose. A summary of Social Finance's report is shown at Annex C.

- 7.33 Following consideration of Social Finance's report and model (which has been externally audited for internal consistency) the most promising option is to establish a council-owned company which will acquire properties which will be let as long term PRS properties at LHA levels to prevent homelessness or end a homelessness duty. The properties would need to be either in Brent or sufficiently close to Brent to be able to end a homelessness duty in compliance with the Homelessness Suitability of Accommodation Order of 2011. Based on existing case law, it is currently envisaged that this means acquiring properties no further away than the Home Counties. The viability of acquiring properties in Brent and the Home Counties has been researched.
- 7.34 The advantages of establishing a company owned by the council outside the HRA include that it could let properties within the Private Rented Sector, while drawing on the council's borrowing capacity and give the council greater control of the investment compared to entering into a joint venture or contract with an external organisation, allowing better management of risk and potential reward.
- 7.36 Consideration is being given by the Council to setting up a wholly-owned company with a potentially broader remit for investment, development and regeneration. If such a company is established it is anticipated that the acquired PRS units would be held within that company, with management and maintenance services procured as appropriate.
- 7.37 There is a present opportunity to acquire PRS units in the areas mentioned but house price increases may narrow this opportunity even in the relatively short-term. It is therefore planned to directly proceed with a programme of acquisitions. In advance of a company being established any units will be used as Temporary Accommodation as this provision automatically sits outside the HRA, with these units then switching to PRS lettings on being transferred to the company once established. To support an initial programme of acquisitions Cabinet is asked to approve capital expenditure of £10M.
- 7.38 It is anticipated that further funding for acquisitions would be through on-lending to the company. The terms of that on-lending will be restricted so as to ensure that the council's borrowing costs, including a reasonable premium for risk, are covered, and that state aid rules are not breached. The Temporary Accommodation Reform Plan assumes that £60M would be invested in PRS acquisitions over the first two years, but any commitment beyond the initial £10M will be sought from a future Cabinet committee depending on progress.
- 7.39 The council has also been in discussion with Registered Providers and others, who may be interested in purchasing accommodation within London to let to Brent nominees at LHA rates on condition that the council offers long-term void guarantees (e.g. 10 years). It is not certain if this is viable at scale, as RPs borrowing is usually more expensive than the council's but would have the attraction of guaranteed properties at low risk to the council. This approach, to complement the council's acquisition of its own portfolio will also be further explored.
- b) **Development of new housing supply to end a duty in the PRS or for homelessness prevention**

- 7.40 In addition to purchasing properties to end a homelessness duty in long-term PRS accommodation at LHA rents, there are opportunities to build new properties for this purpose.
- 7.41 Cabinet recently approved funding for the development of 34 flats on council-owned land at Church End which will be let at intermediate rents pegged to LHA. The London Road and Stonebridge sites in Brent have already been identified as further areas where this may be possible, with development of these being subject to further Cabinet approval.
- 7.42 However, land is at a premium in Brent, and the Council will also explore the possibilities of developing New Build accommodation outside Brent. Officers are in contact with a number of organisations who may be interested in developing properties outside Brent for the council's use, and in particular the prospect of using off site construction methods may be both cost effective and result in speedier delivery.
- 7.43 A major difficulty is in securing land and gaining planning permission in other local authority areas. If the Council is successful in securing sites, then it will be necessary to enter into arrangements with developers and possibly the host borough in order to secure planning permission for this to happen.

Greater use of Converted Buildings within Brent

- 7.44 From time to time there are opportunities to use buildings which become available in Brent for short or medium term use as temporary accommodation. This is sometimes possible in the period pending long term redevelopment of the properties. The council has recently been successful in taking these opportunities on a number of sites, such as making use of the existing accommodation for elderly people at Knowles House, at former social services schemes at Clement Close and Peel Road, pending their redevelopment to provide NAIL accommodation and, with the assistance of the owner Network Housing Group, at John Barker Court. This has enabled the council to provide temporary accommodation within the borough and to reduce the use of Bed & Breakfast.
- 7.45 Sometimes, in order to take these opportunities, it is necessary to act very quickly, and a specialist officer will be given responsibility for delivering such opportunities in future.
- 7.46 Specifically, the council has recently been working with Genesis to access 58 newly converted 2-bed flats at the former Remploy House in Brent Cross, which they wish to lease from the present owner, and which would be available for use as temporary accommodation, under a variation to the current HALS contract with Genesis. The contract for these properties is expected to be from March 2016 to February 2018, with an option to extend for a further 2 years.

Improved Employment and Skills Offer to Homeless Households

- 7.47 A high proportion of housing needs service clients are either not working, or in insecure, low paid employment. This includes those approaching the Council in housing need, living in temporary accommodation, or living in the private rented sector following homelessness prevention or the ending of a duty in the PRS.

7.48 Working with the Employment & Skills service the intention is to take a number of steps outlined in Annex 1 in order to increase access to employment and skills opportunities for Housing Needs clients through a mixed offer of council and partner services, primarily provided by the Brent Works partnership , which is a joint initiative between the council's employment and skills service, Jobcentre Plus, and the College of North West London, offering jobs and apprenticeship brokerage and advice. Work will be through customer service contact; in the community; and through focussed engagement with TA households, including those affected by the welfare reforms.

Homeless Households moving outside of Brent/London.

7.49 Building on the success of the work of the Council's current West Midlands based procurement and resettlement officer it is planned to develop and enhance the current resettlement service to ensure all households who move out of London are provided with the appropriate support .

7.50 When the Council started relocating homeless households, who were affected by the Overall Benefit Cap to affordable accommodation in the West Midlands, it was considered essential they were provided with appropriate support to enable them to settle in an area that would be so unfamiliar to them. Given the significant distance affected households had to move, the Council employed a resettlement officer who is based in the area, to be a local point of contact for the families that relocated.

7.51 The resettlement officer visits the family upon arrival in their new accommodation. He ensures that the housing benefit claim is processed efficiently and is a point of contact between the Council, the accommodation provider and the household.

7.52 As well as setting up the housing benefit claim the settlement officer will also assist the household with other issues, including advice on securing school places for their children, transferring to a new GP, help in setting up their utilities and assistance with securing employment.

7.53 It is planned to build on this model and put in place similarly effective arrangements in the main areas where families are re-locating to, including those areas where the council's RS portfolio is concentrated.

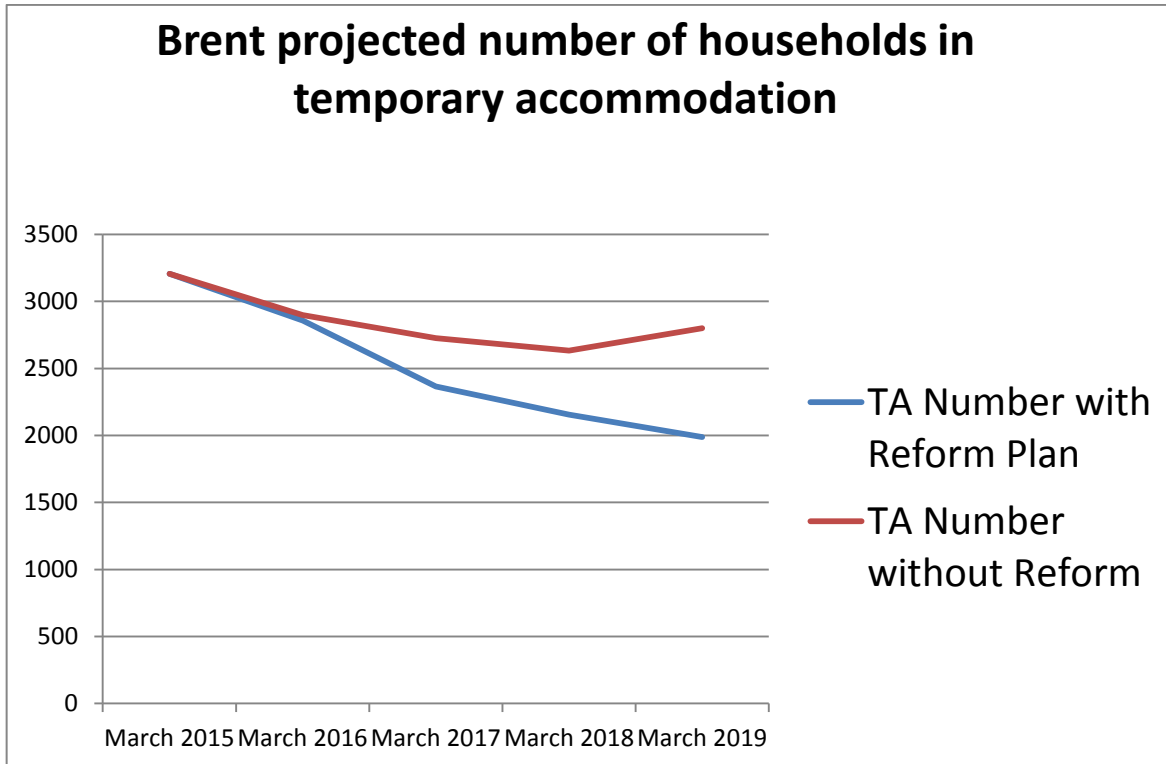
7.54 The council will work with Job Centre Plus to agree 'warm handovers' with JCP to a locally based 'job coach' in the new location, as part of the wider re-location package. This could include early advice to look at opportunities in the new location via the national 'Universal Jobmatch' vacancy website, part of the DWP's 'digital by default' approach, moving towards Universal Credit.

8 Impact of Implementing the Temporary Accommodation Reform Plan.

8.1 The expected benefits of the Temporary Accommodation Reform Plan if it is fully implemented are significant and include the following:

- 8.2 Compared to the alternatives of continued use of B&B, Hotel Annex, and nightly paid self contained accommodation the Council will be able to access significantly better quality, more secure accommodation for homeless households which is located closer to Brent.
- 8.3 Homelessness prevention into the private rented sector will form the bulk of the Housing Options service, but with an adequate supply of decent self contained temporary accommodation available as a safety net.
- 8.4 All Stage 1 Temporary Accommodation will be self contained and within Brent and will be revenue positive for the council. The intention is that there will be no use of B&B or hostels with shared facilities, hotel annexes or other nightly paid accommodation.
- 8.5 Over time the Council will have acquired access to a significant LHA rent PRS portfolio in Brent and the Home Counties, offering long-term well-managed tenancies. This will come from both existing stock and new-build developments.
- 8.6 It is also planned to gain access to a portfolio of around 200 long term properties for PRSO/prevention across London through arrangements with Registered Providers purchasing accommodation for this purpose. This is dependent on agreement of a viable scheme or schemes with partners.
- 8.7 With the implementation of the plan it is expected to achieve an estimated 40% overall reduction in Temporary accommodation between March 2015 and March 2019 as shown in Chart 2.
- 8.8 The proportion of Brent social housing allocations to homeless households can be reduced from 80% to around 55% by 2018/19 with significant benefits to other households in significant housing need and with priority on the housing register, who cannot currently access suitable properties.
- 8.9 A reduction in annual non-staffing costs of the Housing Needs service of over 50%, amounting to c.£1.6m per annum by 2018/19 is anticipated, compared to the position without the measures in the Temporary Accommodation Reform Plan.

Chart 2.



8.10 The outline timetable for delivery of the main elements of the Temporary Accommodation Reform Plan is set out in summary in Table 3.

Table 3. Outline Temporary Accommodation Reform Plan timeline.

| Workstream | 15/16 | 16/17 | 17/18 | 18/19 |
|-------------------------------|-----------------|--|--|---------------|
| Find Your Home service | Pilot Phase | Mainstreamed as primary frontline Housing Needs service | | |
| Knowles House | | Planning permission gained and construction begins | Hostel opens | |
| London Road | | Planning permission gained and both Stage 1 TA and PRS construction starts | TA opens | PRS completed |
| PRS acquisition | Company set up. | Brent PRS company begins acquisitions. Work with RPs | 300 Brent PRS units acquired plus up to 200 RP units | |

| | | | | |
|------------------------|---------------------------------------|---|--|--------------------------------|
| | | and other suppliers begins. | | |
| PRS development | Sites identified in and outside Brent | Site acquisition and development begins | | New build PRS coming on stream |

9 Financial Implications

- 9.1 The 2015/16 net Housing Needs temporary accommodation budget is £7.46m. This represents total budgeted expenditure of £50.81m and income of £43.35m. It includes landlord incentive payments as well as the net costs of temporary accommodation provision,
- 9.2 In setting the 2015/16 council budget it was agreed that the Housing Needs budget would make savings of £0.84m in 2016/17 and £0.5m in 2017/18, a total of £1.34m.

Table 4.

| | 2015-16 Budget | Budgeted Savings (16/17) | Price related adjustments (16/17) | 2016-17 Budget | Budgeted Savings (17/18) | 2017-18 Budget |
|-----------------------------------|-----------------------|---------------------------------|--|-----------------------|---------------------------------|-----------------------|
| | £m's | £m's | £m's | £m's | £m's | £m's |
| Staffing | 4.65 | -0.34 | - | 4.31 | - | 4.31 |
| Commissioned Services (TA) | | | | | | |
| TA Expenditure | 46.16 | -0.5 | 0.21 | 45.87 | -0.5 | 45.37 |
| TA Income | -43.35 | - | - | -43.35 | - | -43.35 |
| NET TA BUDGET | 2.81 | - | - | 2.52 | - | 2.02 |
| TOTAL BUDGET | 7.46 | - | - | 6.83 | - | 6.33 |

- 9.3 The Temporary Accommodation Reform Plan proposes to reduce the net cost of providing TA to approximately £1.2m by 2018/19. This would represent a saving to the current TA Budget and contribute to the avoidance of cost for future predicted levels of demand. This would deliver the councils planned savings for TA and provide an additional saving of £0.6m by 2018/19.
- 9.4 Demand profiling has shown that without the Reform plan the net cost of TA would increase from current levels to £3.4m by 2018/19.
- 9.5 The Reform plan includes 3 specific proposals that require capital investment to achieve a cost reduction, as shown in Table 5.

Table 5.

| 2016/18 | Investment | Units | TA Cost reduction per pa |
|-----------------------|-------------------|--------------|---------------------------------|
| Stage 1 TA | £20m | 125 | 0.5m |
| PRS Development | £50m | 150 | £0.43m |
| Brent PRS Acquisition | £60m | 300 | 0.86m |
| Total | £130m | 575 | £1.79m |

- 9.6 Stage 1 TA refers to the development of two council owned sites (Knowles House and London Road Site) to build 125 emergency accommodation TA units. The savings associated to this scheme would be through the reduction in use of B&B and Annex accommodation. The usage of B&B and Annexe accommodation varies on a day to day basis, but an indicative average weekly net cost to the council of £77 has been used to define the annual cost reduction of £0.5m by developing the 125 units.
- 9.7 The development of the schemes at Knowles House and the London Road site would be subject to a separate cabinet report, so any associated savings for this scheme would be at risk dependant in the decision made.
- 9.8 It should be noted that Stage 1 TA takes advantage of the opportunity presented through the identification of council owned sites suitable for development. Any future site development would be added to the PRS development scheme.
- 9.9 PRS development refers to development of 150 new build units of private rented housing to be let at LHA rates to enable the council to end a homelessness duty over the long term. The individual development appraisals would be subject to separate cabinet reports. The savings associated with this scheme would be through the reduction in use of leased EHL and DPS accommodation. Currently the average weekly cost of EHL and DPS is £55pw per unit. Therefore, a saving is £0.43m would be realised if the 150 units were fully realised.
- 9.10 The £50m investment should be considered as an initial value. Successful delivery of outcomes would represent an opportunity for the council to consider future investment.
- 9.11 Brent PRS acquisition refers to the purchase of a portfolio of 300 properties over the next two years to enable the council to end a homelessness duty over the long term. The financial model underpinning this scheme would allow the letting of units at LHA rates and cease the subsidy from the TA budget. The savings associated with this scheme would be through the reduction in use of EHL and DPS accommodation. Currently the average weekly cost of EHL and DPS is £55pw per unit. Therefore, a saving is £0.86m would be realised if the 300 units were fully utilised.

- 9.12 The financial model underpinning the acquisition of PRS accommodation was produced by Social Finance and is based on a number of prudent assumptions regarding income and expenditure to limit the risk exposure to the Council. This includes prudent assumptions on void rates, rental income and bad debts.
- 9.13 The model assumes that the company would selectively acquire the properties based on those that offer the highest yield post renovation costs and other associated fees, rather than purchasing every property that becomes available.
- 9.14 It should be noted that there are only a limited number of properties available in the market that generate sufficient yield to meet financing costs. Therefore, a target of 300 properties over 2 years would be prudent.
- 9.15 The exact costings and subsequent savings for TA will be variable dependent on the mix of properties and income achievable for those properties. However, Table 6. below provides a financial illustration of the model based on the purchase of 300 properties achievable with an investment of £60m at an illustrative borrowing rate of 4%.

Table 6.

| Year | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|---------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| <i>Year Tracker</i> | <i>1</i> | <i>2</i> | <i>3</i> | <i>4</i> | <i>5</i> | <i>6</i> | <i>7</i> | <i>8</i> |
| INCOME STATEMENT | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Rental Income | | 3,286 | 3,286 | 3,286 | 3,352 | 3,419 | 3,487 | 3,557 |
| TOTAL RENTAL INCOME (REVENUE) | | 3,286 | 3,286 | 3,286 | 3,352 | 3,419 | 3,487 | 3,557 |
| Maintenance costs | | -464 | -476 | -488 | -500 | -513 | -525 | -538 |
| Bad debt costs | | -66 | -66 | -66 | -67 | -68 | -70 | -71 |
| Void costs | | -127 | -127 | -127 | -129 | -132 | -134 | -137 |
| Major Repairs Provision | | - | - | - | - | -310 | -317 | -325 |
| TOTAL RESIDENTIAL COSTS | | -657 | -668 | -680 | -696 | -1,022 | -1,047 | -1,072 |
| Housing Company Costs | -221 | -92 | -95 | -97 | -99 | -102 | -104 | -107 |
| SURPLUS BEFORE FINANCE | -221 | 2,537 | 2,523 | 2,509 | 2,556 | 2,295 | 2,336 | 2,378 |
| Interest Costs | -2,400 | -2,375 | -2,348 | -2,321 | -2,293 | -2,263 | -2,232 | -2,201 |
| Principal Costs | -600 | -657 | -683 | -710 | -739 | -768 | -799 | -831 |
| SURPLUS/(DEFECIT) | -3,221 | -494 | -508 | -522 | -475 | -736 | -695 | -653 |
| TA Savings | 0 | 850 | 850 | 850 | 850 | 850 | 850 | 850 |
| SURPLUS TO MEET TA BUDGET SAVINGS | -3,221 | 356 | 342 | 328 | 375 | 114 | 155 | 197 |

- 9.16 Years 1 and 2 of the model are subject to change and dependent on the speed at which properties are brought on stream, so the income from rents will fluctuate. Also, the loans required for purchase would be made in stages, further varying the illustration in Table 6.
- 9.17 The model's underlying principle is to ensure a sufficient surplus is generated each year to repay the interest costs of the loan (initially £2.4m). Repayment of the principal will depend on the price of available properties, the lending rate charge by the council and future movements in LHA rates. Financial criteria for acquisitions will be set by the CFO in accordance with the prudential code.
- 9.18 To support the principal loan repayment, it is proposed that an additional £0.6m savings delivered through the Reform plan be used to repay the loan principal.
- 9.19 The remaining surplus (average of £0.25k pa) of the scheme would be attributed to the planned council's savings for TA
- 9.20 The model relies on the assumption that LHA rates will increase by 2.0% pa following the initial 4 year LHA freeze announced by government. It should be noted that any small divergence to this assumption will affect the financial viability of the financial model either negatively or positively. However, this risk in LHA rate change would have a similar or greater financial impact to the TA budget without proceeding with PRS acquisition.
- 9.21 To mitigate this risk, a phased approach to the purchase of properties will be taken and to ensure that the yields are maximised. Regular reviews will be factored in, to ensure that the portfolio remains financially viable and meets the needs of its tenants.
- 9.22 This proposal does carry a number of risks as per the risk assessment included at the end of Annex 1. Therefore, a number of exit strategies have been considered should the need for homelessness housing change or if the model becomes financially unviable. These include a review of the rent for a different target population, if the number of residents with housing needs reduces, to enable more income to be generated whilst retaining the assets should these be needed again in the future. The terms of the loan may need to be reviewed at that point and legal advice would be sought as required. Alternatively, the company could sell the assets prior to the end of the 40 year term to release capital.

Following its establishment properties will be purchased and owned by a separate local authority company which will act as the owner of the properties. The company will have access to a capital loan facility for purchases. The company will also have access to a start-up loan to cover working capital requirements. The company may require further loans to cover fluctuating cash flows over the life of the scheme.

- 9.23 The company itself will have ongoing marginal costs in addition to the Management and Maintenance of the stock in respect of this portfolio. This amounts to approx. £90k pa and includes: Portfolio asset management, fees for audit and regulatory activities and accounting/bookkeeping.

10 Legal Implications

Homeless Duty

- 10.1 In accordance with Section 8 of the Housing Act 1985, and Part 7 of the Housing Act 1996 (as amended by the Localism Act 2011), the Council is required to consider housing conditions/needs within its area, including the needs of homeless households, to whom local authorities have a statutory duty to provide assistance. Local authorities have a duty under section 193 and Part 7 of the Housing Act 1996 to house homeless persons in temporary accommodation who satisfy the qualifying criteria (i.e. eligibility, homeless, priority need, not intentionally homeless and local connection).
- 10.2 The legislation also provides the Council with powers to meet these requirements via joint working between housing authorities, social services and other statutory, voluntary and private sector partners in tackling homelessness more effectively. The Council can provide accommodation in their own stock or arrange for it to be provided by another landlord, for example, a housing association or a landlord in the private rented sector, which equally could be via a company set up by the Council. Section 193 (7) of the Housing Act 1996 defines that an offer is a private rented sector offer if:
- (a) it is an offer of an assured shorthold tenancy made by a private landlord;
 - (b) it is made with the approval of the local authority, with a view to bringing the authority's duty to an end; and
 - (c) the tenancy is of a fixed term for a period of at least 12 months.

The proposal set out in this report will not impact on the Council discharging these statutory duties.

- 10.3 Local authorities can house homeless persons under Part 7 of the Housing Act 1996 in accommodation with non-secure tenancies by relying on paragraph 4 of Schedule 1 to the Housing Act 1985.

Local Authority Companies

- 10.4 It is currently intended that the private rented properties to be acquired and developed will be held within a Local Authority Company though the setting up of such a company will be subject to Cabinet approval and a report setting out the details, including more detailed legal implications, is intended to be submitted to the Cabinet for its consideration later this year. The setting up of a company must be in accordance with either section 95 of the Local Government Act 2003 (if it is a trading company) or Section 1 of the Localism Act 2011 – the general power of competence. Section 4 of the Localism Act 2011 extends the existing commercial purposes scheme under the LGA 2003 in relation to acts that are undertaken in exercise of the general power (provides the Council power to do anything that individuals generally may do provided it is not prohibited by legislation or Public Law principles) so that if the general power permits a local authority to carry out a particular activity, then section 4 empowers the authority to do that activity for a commercial purpose. However, if the general power is being used for a commercial purpose then it

must be done through a company. In the report to the Cabinet regarding setting up a company for the purpose of an investment vehicle for housing purposes, the legal implications will cover issues regarding procurement, state aid and directors' duties to a company.

Property

- 10.5 Any purchase of properties by the Council for subsequent disposal (or disposal of existing stock) to the local authority company must be carried out in accordance with the Council's delegations under Part 4 of the Council's Constitution and specific delegations given by Cabinet.

Fiduciary duties

- 10.6 The Council has a fiduciary duty to look after the funds entrusted to it and to ensure that the taxpayer's money is spent appropriately. This would extend to lending to the local authority company if Cabinet decides to do this in future. For that reason the Council must carefully consider any scheme that it embarks on, and to take account, for example of best value principles in accordance with the Local Government Act 1999, and when borrowing to consider the capital expenditure controls under Part 1 of the Local Government Act 2003.

Rents

- 10.7 The Council is required by Section 24 of the Housing Act 1985 to set rent for its properties at a "reasonable" level. The level of rent is practically constrained by the Rent Rebate Limit Level which, if exceeded impacts on the housing benefit subsidy payment to the Council. This does not apply to a local authority company so there is greater flexibility to set rents (subject to any State Aid implications).

Investment Powers

- 10.8 In the event that the Council chose to treat the acquisition of dwelling as an investment then the Council would need to comply with its investment powers. Section 12 of the Local Government Act 2003 (2003 Act) provides as follows:

12 Power to Invest

A local authority may invest:

- a) For any purpose relevant to its functions under any enactment; or
 - b) For the purposes of the prudent management of its financial affairs.
- 10.9 Under Section 15 of the 2003 Act, before exercising the power to invest, the Council must have regard to Guidance issued by the Secretary of State. This is set out in the Department for Communities and Local Government "Guidance on Local Government Investments" published 11 March 2010 (CLG Guidance). The Council should also consider related Guidance published by CPIFA under 'Treasury Management in the Public Services: Code of Practice and Cross Sectorial Guidance Notes' and "The Prudential Code for Capital Finance in Local Authorities".

11 Diversity Implications

- 11.1 Some protected groups are over-represented among homeless households. This is partly due to the criteria through which priority need is established under the relevant legislation: for example, a household may be regarded as being in priority need owing to age, to a physical disability or mental health condition or to pregnancy. It is also an effect of poverty and disadvantage: some ethnic groups, for example Black Africans, are over-represented among homeless households compared to their presence in the general population.
- 11.2 Since the primary focus of the proposals in this report is to improve the quality, security and suitability of temporary accommodation, it is anticipated that impacts will be positive for homeless households and other households on the Needs Register. However, given the profile of homeless households noted above, it is recognised that further investigation and analysis is needed to ensure that the full implications of the change are understood and any possible negative impacts are identified and addressed. An initial screening analysis is attached at Annex 2 to this report and a full analysis is in progress.
- 11.3 It should be stressed that the proposal is made in the context of the council's policy that the principal means through which full homelessness duties are met will be through an offer of private rented housing, in line with the powers granted under the Localism Act. This policy was subject to a full equalities analysis at the time of its adoption and this aspect is therefore not considered further in relation to this proposal. The focus of analysis will be on the specifics of the current proposal, as set out above.

12 Staffing/Accommodation Implications

- 12.1 The current Housing Needs staffing costs are significantly greater than the non staffing costs discussed above. The potential for savings in staffing costs as a result of implementing the Temporary Accommodation Reform Plan may be significant over time. This is because:
- 12.2 The housing management costs for the PRS portfolio will be accounted for within the overall finances of that scheme, rather than coming from the housing needs budget.
- 12.3 As the number of households in TA reduces, the associated staffing costs of providing support, housing management, and maintenance to households in TA may be expected to reduce roughly proportionately.
- 12.4 Although housing needs demand is expected to increase as outlined above, and there is therefore limited scope to reduce front line customer facing staff dealing with new demand, over time the Council's reliance on externally procured TA accommodation

should fall if the TA reform plan is fully implemented, leading to a reduced need for procurement of such accommodation.

- 12.5 On the other hand, the intention to provide better resettlement services to households who move out of the borough is likely to require additional staffing resources in that area.

Contact Officers

Tim Gray
Homelessness Investment Advisor
Tel: 020 8937 2910
tim.gray@brent.gov.uk

Jon Lloyd-Owen
Operational Director, Housing & Culture
Tel: 020 8937 5199
Jon.lloyd-owen@brent.gov.uk

Phil Porter
Strategic Director, Community Wellbeing
Tel: 020 8937 5937
Phil.porter@brent.gov.uk