

### **1 Purpose**

- 1.1 The purpose of the Temporary Accommodation Procurement Strategy is to set out how the Council plans to procure sufficient units of temporary accommodation to meet the anticipated demand during the coming year.
- 1.2 It will help to guide temporary accommodation letting teams in their daily business, helping to ensure that the right accommodation is procured for a household.
- 1.3 The Procurement Strategy takes into consideration the local and national shifts in the Private Rented Sector landscape driven by the buoyant property sales and lettings market, legislative changes and recent legal judgements.
- 1.4 This document forecasts demand for the coming year. We will review this forecast regularly against actual demand. An estimated 600 units of nightly paid accommodation are needed during 2015/16 that are accessible to households on benefits, and a TA portfolio of around 1800 units will be needed until 2020.

### **2 Introduction**

- 2.1 The Procurement Strategy has been developed to meet the needs of homeless households and households being assisted by social care to address the shortage in supply the Council is currently facing. This Procurement Strategy aims to meet the needs of Lewisham's residents in conjunction with Lewisham Council's Location Priority Policy and overall Housing Strategy.
- 2.2 Lewisham Council set up a Private Sector Housing Agency (PSHA) in September 2013 to act as the procurement hub to meet the housing demand of various departments such as housing and social care, procuring temporary accommodation to meet this need both inside and outside of the Borough.
- 2.3 This innovative approach would ensure the Council:
  - Achieves value for money through its collective buying power and by eliminating internal competition for PRS accommodation
  - Delivers accommodation which is fit for purpose
  - Delivers an enhanced customer focussed service both landlords and tenants

- Identifies and swiftly deals with rogue landlords operating within Lewisham Council's private rented sector
- Increases joint working between different teams and departments across the Council, minimising duplication and waste, contributing to the Council's futures programme by delivering its vital services efficiently, effectively and economically.

### **3 Background and context**

3.1 Traditional models of Temporary Accommodation procurement and types of supply are no longer adequate due to the combined effect of the following:

- Supply of social housing not meeting demand, with this gap increasing year on year
- Housing Benefit caps and the wider welfare reforms, including Universal Credit.
- Rising homelessness
- PRS market conditions
- Legal judgements
- Pressures on current supply and the Temporary Accommodation funding model.

3.2 Shortages of self-contained Temporary Accommodation accessible by benefit-dependent households is leading to more dependence on emergency bed and breakfast accommodation being spot purchased at a greater cost to Council Tax payers. This additionally puts pressure on the Council trying to meet the statutory requirement that homeless families should not spend more than six weeks in shared bed and breakfast accommodation. This pressure can only be further exacerbated as most of the existing in Borough Temporary Accommodation will become unaffordable to households on benefits when the lower £23k household benefit cap is introduced in 2016.

3.3 The Council needs to innovate and identify new modern methods of procuring self-contained Temporary Accommodation to meet its ever increasing demand. The accommodation must be suitable, accessible and affordable to households in receipt of benefits, without increasing the burden on the tax payer. This means some accommodation will have to be out of the London Borough of Lewisham area and some will have to be out of London, in line with the Location Priority Placement Policy.

#### **Traditional model of Temporary Accommodation procurement**

3.4 Temporary Accommodation is private rented sector (PRS) accommodation for homeless households and can either be first or second stage. First stage is emergency housing provided while a homeless application is assessed and is normally nightly paid. In Lewisham currently 71 per cent is Out of Borough of which 20 per cent is shared accommodation. Second stage is self-contained accommodation, largely hostels or private sector leased accommodation, provided once a statutory housing duty is accepted. The household is expected to stay in this form of Temporary Accommodation until they are successful in

their bid for social rented housing or where the Council's housing duty is discharged through an offer in the PRS.

- 3.5 Although around 71 per cent of Temporary Accommodation is out of borough it has largely been procured in neighbouring Boroughs mostly South East or East London. Historically nightly paid accommodation has been procured through spot booking of hotels. However, due to severe shortage of suitable B&B accommodation within agreed rates the Council is looking at other formal contractual arrangements to ensure it has access to adequate nightly paid accommodation to meet its statutory demand. Self-contained accommodation was primarily procured through private sector leasing schemes with medium term leases called Private Sector Leased and Housing Associations Leased accommodation (PSL/HALs).
- 3.6 This approach worked well whilst homelessness was at manageable levels, there was a sufficient supply of stable social rent accommodation and the use of Temporary Accommodation was a short term measure. This was the case until 2011, when the first set of welfare reforms were implemented and rents were not increasing at such an accelerated pace. Prior to the implementation of the welfare changes and the acceleration of values and rents within the market a sufficient supply of properties could be procured in Lewisham and in London. However landlords are withdrawing their accommodation from the PSL schemes to let them privately at higher rent levels, let to other higher paying schemes such as nightly paid, or sell their properties, taking advantage of the current increase in property prices, as illustrated below.

<b>Year</b>	<b>No of Handback Notices Received</b>
2013/14	24
2014/15	60
Percentage increase in handback notices	150 per cent

### **Supply and demand for social housing**

- 3.7 The need for longer term Temporary Accommodation is deep rooted in the wider national housing crisis. The decline and in some cases the complete absence of new house building has contributed to house price inflation and affordability issues, which have been compounded by the economic downturn starting in 2007. The lack of affordable market housing has in turn significantly increased demand for social rented housing at an alarming rate and there is nothing to suggest that this demand is likely to subside in the future. Over 55 per cent of Lewisham's population now rent, either in the private or social sector, illustrated below:

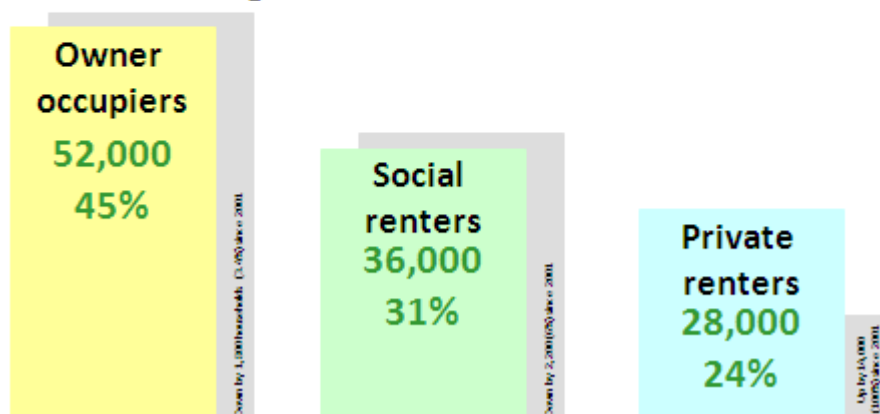
## Rising house prices = doubling of PRS



- Number of private rented homes in Lewisham doubled in 10 years

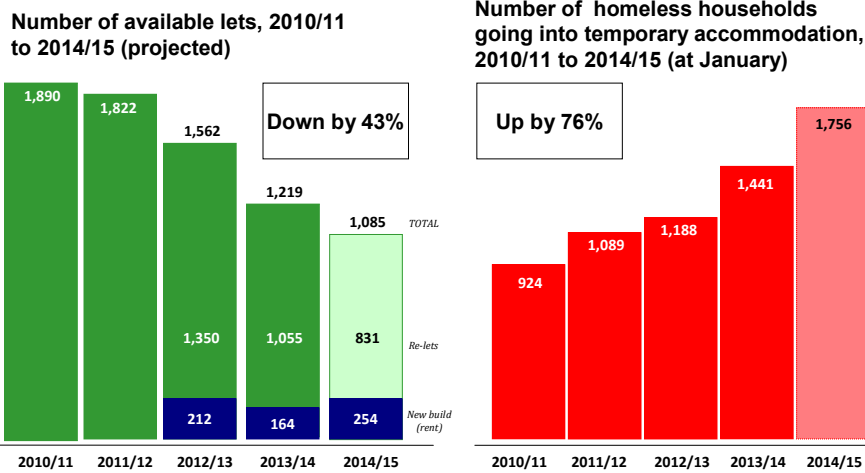
**116,000**

households living in Lewisham (at 2011 census)



- 3.8 Most London boroughs have high demand for social housing, driven by population growth, lack of affordable market alternatives and low turnover in the social sector, which is well documented. At the beginning of 2015, the lowest house price recorded by land registry in Lewisham was £245,304. Based on a 10 per cent deposit and a mortgage based on 3.5 times household income this would be affordable to a household with an annual income of £63,078 – 1.7 times higher than the borough median household income of £36,145. Even at the lowest end of the property market, home ownership remains unaffordable to two thirds of Lewisham households. London has seen a tenure shift with fewer households now owning their own homes, London's private rented sector has subsequently grown and now makes up over 30 per cent of Lewisham's total stock; a 100 per cent increase over the last 10 years.
- 3.9 The need for increased Temporary Accommodation is a result of the shortage of social housing, which is required to meet demand. However the nature of Lewisham's social stock, demography and buoyant private rented sector market makes the disparity between supply and demand particularly acute. This problem is further compounded by Housing Associations reviewing their business models and moving away from their traditional roles of providing temporary accommodation through affordable housing.

## Supply is Down, Demand is Up



- London-wide, the availability of lets is falling
- Consequently the need to use temporary accommodation continues to increase

3.10 Demand has always outstripped supply in Lewisham and there has always been a need for Temporary Accommodation but never at the levels currently being experienced and or as future projections. Homelessness, and rough sleeping in particular, is the most obvious expression of housing need. In Lewisham, the number of accepted homeless applications increased by 43 per cent between 2010 and 2014/15, and the number of households in temporary accommodation has increased by 76 per cent over the last 5 years. Across London, the number of households placed in temporary accommodation is increasing. Lewisham is no exception to this trend. Furthermore, it is estimated that the number of people sleeping rough in London rose by 13 per cent between 2011/12 and 2012/13 & 14 per cent between 2013/14.

3.11 Currently there are 1,908 households with priority waiting for social housing, which includes 1,197 homeless households in TA. Currently the Council has over 9000 individuals and families on the housing register and indications are that this number will increase in the years to come.

3.12 Demand in Lewisham is predominantly for family sized homes with 80 per cent of households needing two bedroom accommodation. The remaining 20 per cent need is a mix of 1, 3 and 4 bedroom plus. Private rents are also considerably expensive and are the third/fourth/fifth or sixth highest in London.

3.13 New affordable housing development has been limited not only in Lewisham but London and nationally due to the high cost of land and increasingly the lack of funding from central government is limiting the viability of new schemes. New supply of homes is at an all-time low, well below the London Councils estimated requirement and the GLA Housing strategy target as shown below:

## New housing delivery in London



- GLA target is half of London Councils' estimate requirement
- Actual delivery target is half the GLA target

3.14 Due to the current housing crisis, exacerbated by lack of new development, Lewisham households are staying in temporary accommodation for longer periods, whilst bidding for their council housing.

3.15 It is however the joint effect of rising homeless demand due to the impact of the welfare reform(see below), combined with historic supply and demand disparity and various recent legal judgements, that is contributing to the current increased Temporary Accommodation challenge. As homelessness increases, waiting times for social housing will grow and longer waits in second stage Temporary Accommodation can be expected, particularly for families.

### Rising homelessness

3.16 Prior to 2011 homelessness acceptances were falling. Acceptances rose to over 43 per cent between 2011/12 and 2014/15, as illustrated below:

Year	2011/12	2012/13	2013/14	2014/15	2015/16 (forecast)
Homeless duty accepted	538	653	710	769	838

3.17 In 2009 only a small percentage of acceptances came from households living in the private rented sector but during 2014/15 this rose to over 54.3 per cent.

3.18 Other reasons why the impact has been so acute in Lewisham are:

- 3.19 The size of the private rented sector means greater numbers have been affected by the welfare reforms. Lewisham's PRS is made up of upwards of 36,000 properties.
- 3.20 Local connection rules under homeless legislation mean boroughs must accept a duty towards eligible homeless households that have resided locally for six out of the past twelve months. Shorter residency is more likely in areas with large private rented sectors, due to the short term nature of tenancies and high churn. Around 99.8 per cent of Lewisham's homeless acceptances are to households that have six out twelve months local connection. Churn in the private rented sector is particularly high, a survey in 2010 found that almost a third of private tenants had been in their current property for less than a year and 63 per cent intended to move within the next two years.
- 3.21 The rise in acceptances is not withstanding work done by the Housing Options Centre (HOC) to address the impact of the LHA caps such as; working with landlords to negotiate lower rents, prevention assistance to help households move out of the borough and to affordable areas, financial assistance with removal and other expenses and support and assistance to find alternative accommodation.
- 3.22 Further increases in homeless are expected in 2015/16 from households living in the private rented sector due to the continuing impact of the welfare reforms which will accelerate with the implementation of the lower benefit cap of £23,000, reduced from £26,000. As a majority of homeless households receive benefits, this further reduction is going to increase the number of households requiring assistance from Lewisham Council in terms of their housing need. It will also drive more landlords from this market into the more lucrative "young professional renter" market.
- 3.23 In the longer term, homeless acceptances are difficult to predict as they are influenced by macro-economic factors. However for reasons stated above it is estimated that they will remain high.
- 3.24 Future demand for Temporary Accommodation will also be affected by Lewisham Council's new power to discharge its permanent housing duty through an offer of housing in the private rented sector (as an alternative to waiting in Temporary Accommodation for social housing). Lewisham intends to use this power and offer private tenancies whenever possible and where a household can maintain a tenancy. However the challenge here remains finding suitable accommodation to meet the specific needs of the household.
- 3.25 The property must be suitable and there is a large body of case law in this area. It must be affordable, of the right size and the location will need to take into account matters such as employment, schools etc. The Council's locational placement policy will be applied to ensure Temporary Accommodation meets the needs and requirements of the household.

### **Pressures on current supply and the Temporary Accommodation funding model**

- 3.26 The severe shortage of self-contained Temporary Accommodation units (PSLs and Privately Managed Accommodation/PMA) has been contributed to by the current Temporary Accommodation funding model. Councils are able to recoup some or all of the costs of Temporary Accommodation by charging residents to live there at rents set by a prescribed government formula, which is 90 per cent of January 2011 LHA plus a management fee of £40 per week, and up to a £500 per week cap for families. However due to the current PRS market conditions, the Council is no longer able to procure Temporary Accommodation under this existing financial model within Lewisham and most parts of London.
- 3.27 The strength of the private rented sector (PRS) across London and in Lewisham in particular has resulted in landlords moving into other ‘non benefit’ markets. Given the decline in home ownership in London, the private rented sector has become the only solution for many households. The Mayor’s Private Rented Sector Housing Covenant highlights how the sector is changing and is now accommodating more families. Due to the implementation and impact of the overall benefit cap, landlords are moving into other markets i.e letting to private tenants. Competition from other London boroughs facing similar issues is also a factor.
- 3.28 The impact of these combined factors has resulted in Lewisham Council having to spot book emergency self-contained and nightly paid accommodation at a significantly higher cost to meet rising demand and to be able to meet its statutory housing duty.
- 3.29 Temporary Accommodation supply within the PRS will continue to diminish as the on-going implementation of welfare reforms bites deeper and more landlords move into other markets. An average couple with two children and no special circumstances currently receive approximately £266.19 per week in benefits (excluding housing benefit). This would leave approximately £233.81 per week for housing costs as a direct result of the overall benefit cap. Table below shows private rented sector market rents (median) in Lewisham to be much higher than the current LHA rates. As a direct result of this gap, the accommodation is unaffordable and Lewisham Council will have to look further afield to source suitable affordable accommodation.

BRMA Area			Rent Rate	One Bed	Two Bed	Three Bed	Four Bed
<b>Lewisham</b>							
Inner London	South East	East	LHA Rate	204.08	265.29	330.72	417.02
			Median Market Rent (Zoopla)	265.00	323.00	369.00	496.00
Outer London	South East	East	LHA Rate	161.02	198.11	242.40	312.77
			Median Market Rent (Zoopla)	265.00	323.00	369.00	496.00

- 3.30 These overall benefit caps will continue to impact existing households in Temporary Accommodation and the affected households will need to be moved into alternative affordable accommodation, which is likely to be outside Lewisham and London. However alternative housing solutions will be considered for households that need to stay in Lewisham or “close to the Borough”, as detailed in the attached Location Priority policy. If households need to remain in Borough to receive specialist support only available in



Lewisham then they would need to be supported with such funding streams as the Discretionary Housing Payment.

3.31 The implementation of the new overall benefit cap of £20k for households living out of London will also render a lot of currently affordable out of London accommodation unaffordable. Therefore, the Council will need to source affordable accommodation further afield, for example currently, in Birmingham 750 households are affected by the welfare reforms, however, with the implementation of the £20k cap, this number increases to 7,500 households.

#### **4 Other housing demand from No Recourse to Public Funds/Social Care**

4.1 There are other departments within the Council assessing the needs of customers, which may include a housing need, although this is outside of the statutory housing duty. In the past the procurement of properties for these client groups was undertaken by social care teams, inexperienced in property procurement or the market, which led to price inflation and property conditions that did not meet the Councils required standards. As a result the responsibility for this function was transferred to the PSHA. The needs of these services are for Bed & Breakfast and settled accommodation in the PRS. This procurement is delivered in tandem with sourcing supply for homeless families.

#### **5 The new approach to Temporary Accommodation Procurement**

5.1 The principles of our procurement approach are to:

- Increase Private Sector Leasing (PSL)/Privately Managed Accommodation (PMA) supply and reducing dependence on Bed & Breakfast where possible
- Provide Temporary Accommodation at a cost that is affordable to residents and value for money for the Council.
- Provide a range of Temporary Accommodation products to meet various different needs
- Support those affected by homelessness or those having a housing requirement as part of their engagement with the Council, including NRTPF and Childrens Social Care (CYP).

5.2 The approach will complement and dovetail the existing work to manage homeless demand and increase social housing supply.

##### **Increase Supply**

5.3 An estimated 600 new self-contained emergency accommodation units are needed during 2015/16 for applicants presenting as homeless and 80 for NRTPF and CYP. Also required is a portfolio of at least 1800 temporary accommodation units for applicants presenting as homeless will be needed until 2020. The requirements for settled accommodation for NRTPF and CYP

are estimated at approximately 100 over the next 12 months. The Council will aim to achieve an increase by:-

- Entering into short and medium term block booking arrangement for shared and if necessary self-contained accommodation to avoid spot purchasing temporary accommodation that is sub-standard and not fit for purpose
- Maximising use of the Council's hostel stock through effective management
- Increase the Council's hostel stock through new acquisitions (purchasing)
- Direct purchasing of units through Lewisham Homes
- Maximising use of the empty property grants programme
- Entering into new PSL leases, PMA leases and settled accommodation
- Entering into long term leasing deals with developers and portfolio landlords
- Working with other sub-regions across London on new procurement initiatives such as the DPS (Dynamic Purchasing System) to procure temporary accommodation
- Bringing back into use properties for the provision of temporary accommodation, which are owned by the Council but are currently empty
- Bringing back into use Council accommodation which is currently let to third parties at peppercorn or below market rents

**Provide Temporary Accommodation at a cost that is affordable to residents and value for money for the Council**

- 5.4 The welfare benefit cap and competition for properties in London means a considerable number of new units will need to be out of Lewisham and London to be affordable to non-working households. This approach will allow households to create a stable, secure family environment and sustained community cohesion. Accommodation outside London is affordable due to the LHA rates being in line with open market rents. That synergy between the LHA rates and open market rates does not exist in Lewisham or London.

**Provide a range of Temporary Accommodation products to meet various different needs**

- 5.5 A range of different types of Temporary Accommodation is needed to meet demand for short term and long term temporary accommodation from the Council's various departments such as housing and social care, for various client groups such as Statutory Homeless, No Recourse to Public Funds, Intentionally Homeless assisted under S17 and Care Leavers etc. Longer term Temporary Accommodation is required due to the longer waits which households can expect for social housing due to rising homelessness and the acute shortage of Council social housing.
- 5.6 The suitability of Temporary Accommodation is defined by legislation in terms of location, cost size and condition. Councils are required to offer Temporary Accommodation in their district 'so far as reasonably practicable'. However, for the reasons previously stated procuring affordable accommodation within Lewisham and London is extremely challenging.

- 5.7 Significant amount of work in terms of market analysis is being undertaken to assess where accommodation will be affordable, namely within LHA levels and the benefit caps. Accommodation will be allocated in compliance with Lewisham Council's Location Priority Placement Policy with the caveat that compliance with government legislation is of paramount priority.
- 5.8 Suitability assessments will be undertaken to determine suitable and affordable accommodation allocated using the Council's Location Priority Placement Policy.

**Support those affected by homelessness**

- 5.9 Homeless households placed in temporary accommodation are supported by the Homeless Families Floating Support Team, empowering them to take control of their lives and encouraging them to live independently. Emphasis will be placed on supporting the Temporary Accommodation households into work so they will not be affected by the household benefit caps.