

# **Temporary Accommodation Procurement Strategy**

## **2017 to 2019**



THE ROYAL BOROUGH OF  
KENSINGTON  
AND CHELSEA

## **1.0 INTRODUCTION**

- 1.1 This paper sets out the Temporary Accommodation (TA) Procurement Strategy for the Council over the next two years, focusing on the specific issues of:
- Challenges facing the Council in delivering a sufficient and sustainable supply of good quality TA from a highly competitive and limited private sector market, whilst managing its financial resources responsibly for the wider benefit of a number of homeless households, many of which will have complex needs
  - The general principles and legal duties that will be observed when procuring TA for homeless households
  - Projected demand and the plan to procure a sufficient supply to meet demand
  - Minimising the financial risk to the Council's budgetary targets given the escalating costs of TA and the need to support some households financially.
- 1.2 This replaces the existing TA Procurement Strategy 2011-15 and shall be reviewed by the Council within 12 months of coming into operation.

## **2.0 BACKGROUND**

- 2.1 The Council has a statutory duty to provide TA as emergency housing for homeless households: people who are eligible (have the right to live in the UK and claim public funds), homeless and not intentionally homeless, and vulnerable.
- 2.2 The number of households in TA as of March 2016 was 1,879 and the needs analysis in section 5 relates back to these figures. As at 31 October 2016 this figure had risen to 1,903 households.
- 2.3 Unlike many other boroughs, the Council does not separate the accommodation used for interim and confirmed housing duties. This has the advantage of minimising the number of families in bed and breakfast accommodation and also means that the Council is not reliant on expensive nightly let accommodation (currently there is one nightly let in use). Self-contained Private Leasing Accommodation (PLA) managed by agents and Registered Providers is widely used for both housing duties, and currently makes up over 80 per cent of all accommodation used as TA.
- 2.4 The extent of demand for TA and its limited supply within the borough has historically meant that the majority of TA procured and used has been provided outside borough boundaries. It is a reality that the private rented sector in RBKC and, indeed, central London, is unaffordable for the majority of households on low incomes and in the wake of welfare reform, is not accessible without significant financial support from the Council. Given the budgetary constraints within which the Council operates, it is not sustainable to place the majority of households within Kensington and Chelsea or central London. The Council allocates Central and Greater London TA to those households most in need of it, in accordance with assessments made in line with its TA Placements

Policy. The Council has a legal duty to secure suitable accommodation, and it must look beyond the borough and its immediate surroundings in order to procure the size and style of properties that meets the need that it is presented with, and particularly for families.

- 2.5 The Council faces continued challenges in trying to secure an adequate supply of quality TA against a background of continued demand and declining lettings to social housing, rising rents, and so an increasingly competitive market.

### **3.0 TEMPORARY ACCOMMODATION COSTS**

- 3.1 In 2015-16 the Council spent approximately £28.1m (gross) on TA; the tenants are responsible for the rent which is recharged to them and there are effective income recovery arrangements in place for collecting this.
- 3.2 Prior to the introduction of the benefit cap, where tenants were entitled to full Housing Benefit (HB), rents for their TA could be fully recovered through HB or a combination of HB and tenant contribution where the household was assessed as being able to make a financial contribution.
- 3.3 The Council has a successful track record in negotiating rents within the Local Housing Allowance (LHA) caps. It is now becoming increasingly difficult to contain these costs given the rise in homelessness acceptances across London in recent years, the wider housing market pressures, the dominance of nightly lets and the increased costs of private rented accommodation across the capital.
- 3.4 The level of homeless household income is expected to continue to reduce as rent levels increase, the benefit cap takes effect and where the overall trend (despite an increased allocation for 2016-17) is for reduced central government funding for Discretionary Housing Payments (DHPs). Given the transitory nature of such support, DHPs are not sustainable in assisting households with very significant shortfalls in their rent payments.
- 3.5 The future TA subsidy regime for households has not yet been confirmed but is expected to improve the position for out of borough properties but not those in borough; overall the financial outlook for the TA budget is not expected to improve.
- 3.6 As a result of increased rent levels, whilst HB subsidy levels continue to remain frozen, the TA budget has been under considerable pressure in recent years. Despite the budget being increased by £3m (£1m in 2015-16 and £2m in 2016-17) an overspend is already predicted in 2016-17.

### **4.0 PRESSURES IN THE TA MARKET**

- 4.1 The Council will continue to face increasing difficulty in securing sufficient TA units in Central and Greater London locations as a result of the following:
- Increasing competitiveness within the wider private rented housing market reducing the supply of TA across London and the south east
  - TA is becoming increasingly difficult to source, particularly in higher value areas such as in borough and Central London, as property owners can

access alternative markets and are taking a decision not to renew leases as they come to an end

- There is a significant increase in the number of landlords requesting properties back and this currently stands at 52; this figure changes all of the time as landlords respond to what is happening in the private rented market
- Following the setting of LHA rates at 30<sup>th</sup> percentile of local market rents in 2011, LHA rates are not keeping pace with the market making it more and more difficult to secure properties at affordable rates. It is anticipated that this situation will deteriorate further with the freeze on LHA rates until 2020
- Welfare reforms resulting in increased levels of accepted homeless across London and rendering the private rented sector in London and areas of the south east unaffordable for households in receipt of benefits. The vast majority of our TA is sourced through the private rented market and it is becoming increasingly difficult to procure accommodation that is affordable and sustainable for homeless households. The staged rolling out of Universal Credit (UC) is also acting as a further disincentive to landlords in making their properties available as TA for homeless households
- UC and the proposed linking of TA subsidy to LHA rates will make some schemes such as Housing Association Leasing Schemes (HALs) and in-borough Private Leasing Accommodation (PLA) no longer financially viable. For example, one beds in the Central London Broad Rental Market Area (BMRA) currently command a subsidy level of £373 per week, and two beds in the same areas receive a subsidy of £500 per week. The one bed subsidy levels allow properties to be procured as the discrepancy between the rates landlords and agents require and the subsidy the Council can get back is not excessive. Two beds are more difficult as market rates are higher, but there is a limited scope to procure in some areas. However, under the proposed new TA subsidy model, subsidy is likely to reduce to £305.64 for one bed and £347.33 for two bed accommodation, making procurement almost completely unviable. <sup>1</sup>There is general uncertainty over the future of the subsidy regime in an unsettled political climate
- All London boroughs are under increasing pressure to secure new TA both across Greater London and outside Greater London, thereby increasing costs and reducing (what was already limited) supply levels
- Landlords and agents have been moving properties from the PLA schemes traditionally used by the borough into the nightly lets market where they are able to attract much higher rates due to increased competition between councils.

4.2 All of the above factors are leading to rent rises that are increasing costs to the Council's General Fund whilst making the majority of London potentially unaffordable for people in receipt of benefits, who form the majority of our current and prospective TA population. The Council aims to procure as much private accommodation as possible as suitable TA in or near to borough, as this enables households to remain in their communities and meets the legal duty to accommodate in borough in so far as that is reasonably practicable (section 208 Housing Act 1996). The affordability of suitable properties must be, however, a key driver in the Council's Procurement Strategy. Properties need to be so far as reasonably possible cost neutral to the Council and within allowable subsidy rates or benefit levels in order to meet budgetary constraints

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<sup>1</sup> TA subsidy under UC has not been confirmed but we believe it will feature existing Local Housing Allowance rates and the expected £45 management fee.

and manage the homelessness service sustainably. The challenge for the Council is to procure a sufficient supply of a broad range of quality TA at affordable levels in and out of the London area, so as to meet statutory duties to homeless households.

## 5.0 THE NEED FOR TEMPORARY ACCOMMODATION

5.1 It is difficult, particularly in this unstable economic climate, to predict with any great accuracy how many households will approach the Council for homelessness assistance. The key drivers of demand are set out below and give an indication of the type of pressures on the TA service.

### 5.2 Homelessness

5.2.1 Between 2010-11 and 2012-13 the number of homeless applications increased; the most significant increase occurred between 2011-13. Applications have been declining since 2013.

**Table 1: Number of applications**

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1240	1467	1629	1342	1158	1097

5.2.2 The number of cases accepted significantly increased from 2010/11 through to 2012-13 - a period in which the LHA caps were introduced. The number of acceptances started to decline between 2013-14 and 2014-15, before increasing again in 2015-16.

**Table 2: Homeless acceptances**

	Total Year	%
		Increase
<b>2008-09</b>	253	
<b>2009-10</b>	255	0.8% increase from 08-09
<b>2010-11</b>	358	40.4% increase from 09-10
<b>2011-12</b>	534	49.2% increase from 10-11
<b>2012-13</b>	681	27.5% increase from 11-12
<b>2013-14</b>	531	22.5% decrease from 12-13
<b>2014-15</b>	402	24.29 % decrease from 13-14
<b>2015-16</b>	548	36.32 % increase from 14-15

5.2.3 The past year has seen a number of higher court judgments that have significantly impacted on the already complex landscape of homelessness law, notably in suitability (and for out of borough placements), intentional

homelessness and priority need, also emphasising the importance of the linked legal duties arising under the Equality Act 2010 (the section 149 Public Sector Equality Duty) and the Children Act 1989 (the section 11 duty to safeguard and promote the welfare of children). The reality is that authorities are required to produce increasingly detailed and legalistic decisions on applications in the face of wide-ranging fronts of litigation and detailed judicial scrutiny. This legal focus may be impacting on the number of homelessness acceptances across London, and certainly bears on the Council’s resources.

### 5.3 Households in Temporary Accommodation



- 5.3.1 The number of households in TA has consistently risen since 2010, and currently stands at 1,903 as at October 2016.
- 5.3.2 As discussed above, the increase in TA demand is linked to the welfare reform changes and wider supply pressures in the London housing market. Whilst the overall number of applications has started to reduce we have seen the number of acceptances increase by a third in 2015/16 resulting in more households staying longer in TA to await move on to an increasingly limited supply of settled accommodation. This could increase further as the impact of HB reform and UC comes to bear, against the backdrop of economic downturn, and uncertainty surrounding the potential impact on local authority stock and predicted reduction in Registered Provider (RP) stock as a result of the Housing and Planning Act 2016.
- 5.3.3 The tables below show that the majority of households in TA are headed by women and the most common household composition is single female with children, followed by couples with children. Given this composition and average family size the Council needs to procure mainly 2 and 3 bed properties.

**Table 3: Family composition of households in TA**

<b>Household type</b>	<b>Number of households</b>
Childless couple	11
Couple with children under 18	319
Couple with non-dependents aged 18 or over	25
Single female	184
Single female with children under 18	936
Single female with non-dependents aged 18 or over	85
Single male	242
Single male with children under 18	45
Single male with non-dependents aged 18 or over	32
<b>Total</b>	<b>1879</b>

**Table 4: Gender of main tenant**

<b>Gender</b>	<b>Number of households</b>
Female	1406
Male	473
<b>Total</b>	<b>1879</b>

**Table 5: Age range of main tenant**

Age range	Number of households
18-24	148
25-29	299
30-34	324
35-39	307
40-44	252
45-49	202
50-54	150
55-59	83
60+	114
<b>Total</b>	<b>1879</b>

**Table 6: Ethnic origin of main tenant**

Ethnic origin	Number of households
Asian	140
Black	446
Mixed	123
Not indicated	226
Other	371
White	573
<b>Total</b>	<b>1879</b>

**5.4 The number of households currently placed awaiting a move**

5.4.1 There are currently 113 households in TA that are assessed as requiring a move for the following reasons:

Landlords want the property returned	52
Overcrowded by one bed or more	47
To secure TA that is more suitable for households that have assessed need to be in/nearer to borough	14



- 5.4.2 There are also 169 households affected by the benefit cap, of which 10 per cent have an assessed need to live locally, 67 per cent are assessed as having a need to live in Greater London and 23 per cent (39 assessed households) have been assessed as being able to move out of London in so far as it is not reasonably practicable to accommodate them in or nearer to borough.
- 5.4.3 A total of 39 households have been assessed as being able to live outside of London.

The household profile is as follows:

- 3 x studios
- 1 x 1 bed
- 23 x 2 beds
- 11 x 3 beds
- 1 x 4 beds

## 6.0 PROCUREMENT OF TA

### 6.1 Local Housing Allowance and temporary accommodation rates

- 6.1.1 The private rented market is extremely buoyant in London and especially in the south east. In June – August 2015 average London rents for new tenants were 8.2 per cent<sup>[1]</sup> higher than in the same period for 2014. During this same period average rental levels rose in 11 out of 12 regions in the UK. As at July 2015, London rents were up 9.5 per cent year on year. As at July 2016, this figure had decreased to 4 per cent, but at present rent levels are continuing to increase despite the economic slowdown. The disparity between average London rents and average rents nationally continues to increase: as at July 2016 London rents were on average 105 per cent higher.
- 6.1.2 When determining an appropriate rate for TA reference is made to the LHA and the rates for RBKC are set out in the table below (in all areas of RBKC); this is the maximum amount any household can claim in HB when claiming privately. These rates will be frozen for the next four years.

<b>One Bed:</b>	£260.64 per week
<b>Two Bed:</b>	£302.33 per week
<b>Three Bed:</b>	£354.46 per week
<b>Four Bed:</b>	£417.02 per week

- 6.1.3 For TA, rents are set in line with TA subsidy which is the amount the Council gets back from the DWP for TA costs and is based on 90 per cent of the January 2011 LHA for the relevant size of property, plus a management fee of £40 per week. The maximum levels that can be secured for accommodation are split into two areas in RBKC – Inner North London (geographically, the areas of

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<sup>[1]</sup> HomeLet Rental index

RBKC North of the Westway) and Central London (South of the Westway) and are capped at a maximum of £500 per week:

Property Size	Inner North TA Subsidy	Central TA Subsidy
One Bed:	£274.00 per week	£373.00 per week
Two Bed:	£346.00 per week	£500.00 per week
Three Bed	£445.00 per week	£500.00 per week
Four Bed:	£500.00 per week	£500.00 per week

6.1.4 The GLA has developed a website that looks at the average rent levels in all areas of London by property size and analyses the lower quartile, median and upper quartile rents for various areas, including Kensington and Chelsea. The lower quartile and median rates as at July 2016 are shown below to put the LHA levels above into context:

Property Size	Lower Quartile	Median
<b>One Bed</b>	£400.00 per week	£471.00 per week
<b>Two bed</b>	£560.00 per week	£685.00 per week
<b>Three Bed</b>	£812.00 per week	£1,000.00 per week
<b>Four Bed</b>	£1047.00 per week	£1,450.00 per week

6.1.5 This generally mirrors the procurement context in that it is possible to procure some one bed accommodation in Kensington and Chelsea as the potential TA subsidy is not far from the lower quartile market rents. However, it becomes increasingly difficult for all property sizes above one bedroom, unless the Council covers significant shortfalls in rent. The gap between the LHA and market rates is also becoming much more marked as these have not risen in line with the private rented market and this will be exacerbated with the freezing of LHA rates until 2020.

6.1.6 The current LHA rates may also have significance for TA as it has been suggested that TA subsidy is likely to be brought in line with current LHA levels. If this happens, this will make procuring within the borough even more challenging than it already is.

6.1.7 Recent financial analysis of the Council's own payments has shown that TA rents on average are increasing by approximately £1 per month. This is likely to continue given the increasing competition between boroughs to secure properties and also competition with individual renters, driving rates up. It is also anticipated that house prices will continue to rise across London, despite some evidence of relatively minor short-term reductions since the Brexit referendum, pushing rents up as entry into the owner occupation market continues to present a serious financial challenge to many potential buyers.

## 6.2 Private Rented Sector Analysis – the availability and affordability of properties to procure for TA

6.2.1 Research was commissioned in October 2016 to look at the private rented sector and assess the feasibility of procuring TA in specified areas both within and outside of London and specifically in RBKC. Headlines from the analysis are attached at appendix 1 that compares the current (October 2016) LHA, TA subsidy levels (90 per cent of the January 2011 LHA + £40) and current LHA +£45 (expected future subsidy rate) to market rents in a variety of areas. The current LHA is set by Central Government through the Valuations Office Agency, and although it has been frozen since April 2015 it was originally set at the 30<sup>th</sup> percentile of the market, meaning that at the time 30 per cent of the market was accessible at LHA rates. The analysis shows that:

- The current LHA has fallen a long way below this 30<sup>th</sup> percentile. On average across the London boroughs summarised, the LHA has fallen to the 1<sup>st</sup> percentile of the market. This means that only 1 per cent of the market is accessible within current LHA rates.
- In RBKC there are no properties of any bedroom size available at current LHA rates.
- There are some one and two-bedroom size properties available in RBKC at TA subsidy rates. However, it is debatable if these would be made available to households on benefits and low incomes. Research undertaken by Westminster Council indicates that only 10 per cent of agents thought that their landlords would be willing to accept tenants in receipt of benefits. It is fair to assume that this is replicated in RBKC, significantly impacting on the number of properties potentially available at subsidy rates. Procurement opportunities are therefore extremely limited and it is likely that available properties could be poor quality.
- Although current TA subsidy indicates a broader section of the market is available (roughly 6 per cent for one and two bed accommodation, and 1.7 per cent for three and four bed accommodation), the reality is that to procure through an agent (who will command a management fee in order to manage the tenancy on the Council's behalf) we would have to pay the agent more than TA subsidy in order that the landlord receives the full TA subsidy rate.
- The subsidy loss for procuring in RBKC is extremely high – the annual loss **per property** ranging from £5k for a one bed property to £72k for a four bed property. Only placing 100 households in newly procured one bed accommodation in borough would lead to a loss of £550,000 per annum, and this loss would be much more severe if placing larger families.
- Although there are some areas in London where the LHA stacks up better against market rates (notably Brent, Hounslow and Enfield), all areas of London operate at a significant subsidy loss amounting to over thousands per property per year. This means more money being contributed by the tax payer as Local Authorities are forced to subsidise from their respective General Funds.
- Despite these areas having some properties within current LHA rates (Hounslow 11 per cent, Brent 8 per cent and Enfield 3 per cent across all property sizes in comparison to all other boroughs who have under 1 per cent), it should be noted that it is still considerably under the original 30 per cent of the market that LHA was intended to access. This is a very small proportion of the market, and is also only theoretical - in practice many

landlords still refuse to work with Councils or households in receipt of benefits due to the perceived difficulties of dealing with this client group.

- Although performing better than within London, the out of London property market still costs Councils large sums of money and provides insufficient proportions of properties within LHA levels. The average subsidy loss for two and three bed accommodation based on median rents ranges from £400 to £4000 per annum. 1.7 per cent of the market is accessible based on current LHA figures, and less than 11 per cent based on TA subsidy figures (even if ignoring the fact that we need to allow for a management fee to agents).
- Affordability comparisons of the median rent levels with the benefit cap levels (assuming that 40 per cent of income is spent on housing costs) show that RBKC is not affordable to any capped households across all property sizes. This is mirrored across most of London and many areas outside of London.

6.2.2 In summary, the research shows that whilst it is theoretically possible to procure a small number of one and two bedroom properties in RBKC at subsidy rates, this is significantly undermined by reluctance to rent to tenants on benefits, potential quality issues and the fact that TA subsidy rates are not sustainable going forward. Procurement at current LHA rates is not achievable and will be further undermined by planned changes to how the TA management fee is administered. These challenges are replicated throughout London with limited opportunities to procure at subsidy rates and few if any opportunities to procure at current LHA rates.

### **6.3 The location of temporary accommodation**

6.3.1 Procuring a sufficient supply of TA within Central and Greater London is becoming increasingly difficult. Given the supply constraints and the high cost of private renting in RBKC, the Council has for many years had to place households outside of the borough. It is noted that this remains permissible provided the Council continues to observe its legal duties to homeless households.

6.3.2 Geographically, RBKC currently has 28.3 per cent of households (521) placed in borough and 71.1 per cent outside of the borough (1319). A small proportion (33 households or 1.8 per cent) are placed outside of London. The split of in borough and out of borough is also widening, as procurement centrally becomes more and more challenging. An analysis of the location of properties procured by region and area is attached at appendix 2.

6.3.3 The analysis below shows that since 2012 the Council has, despite concerted endeavours, only been able to procure 21.4 per cent of its TA in West London, of which 9.9 per cent is within Kensington and Chelsea.

<b>Region</b>	<b>Number of properties</b>	<b>% of total properties procured</b>
<b>London</b>		
West London (Kensington & Chelsea)	291 (134)	21.40% (9.9%)
East London	630	46.32%
North London	295	21.69%
South West	57	4.19%
South East	33	2.43%
<b>Out of London</b>	54	3.97%
<b>TOTAL</b>	1360	100%

- 6.3.4 The majority of TA has been procured in East London at 46.32 per cent and in North London at 21.69 per cent. The main barrier to procuring in borough TA is that the private rented sector is almost exclusively inaccessible for affordability reasons. Rents for properties that the Council has a demand for (mainly two bed+) are almost always above the TA subsidy levels, are particularly unaffordable to people subject to the benefit cap and are also unaffordable for most working households. Furthermore, the implementation of the LHA capped rate in 2011 was the primary reason for the increase in homelessness in RBKC that year as many households had to leave their private rented accommodation as this was no longer affordable. When the Council is able to procure in borough TA there is a high probability that the rents will need to be topped up by DHPs or from the Council's General Fund, and this is not a widely sustainable proposition for the Council.
- 6.3.5 The difficulties procuring centrally have increasingly forced Inner London boroughs to procure beyond their own borough boundaries, and this creates more competition between authorities in Outer London areas to find accommodation at the same time as competing with the flourishing private rental market.
- 6.3.6 The underlying LHA levels that TA subsidy is based on outside of the borough also no longer keep pace with the private rental market, which makes a high proportion of properties unavailable to access, unless Councils spend large sums of money to secure them.

6.3.7 Wherever possible the Council will seek to locate TA in areas that are as near to the borough as possible, with good transport links into central London, and where the accommodation has sufficient amenities to meet need and is affordable and thus, sustainable, to the household. Given the supply and affordability constraints in the sector, it will not however be possible to always procure TA in Inner and Outer London and it is inevitable that the Council will need to procure TA in other geographical areas outside of London.

#### **6.4 Procuring the right type of property**

6.4.1 Given the composition of households in TA, the main demand is for two bedroom and then three bedroom properties. The analysis at appendix 3 shows that the average bedroom size for properties we have been able to procure in RBKC since 2012 is 1.38 which is below our requirements. This is illustrative of the general make up of stock in the private sector in RBKC. In the areas where we traditionally procure in East and North London, it is possible to secure properties that are more in line with our requirements.

6.4.2 It should also be noted that the majority of properties in the borough are flats and may not meet the physical specification we require for TA, noting that many accepted households have complex health and mobility needs. Properties above the 3<sup>rd</sup> floor that are not lifted are not appropriate for many homeless households and this will restrict the number of properties that the Council can offer in borough whilst meeting its legal duties to households.

#### **7.0 PROCUREMENT OPTIONS FOR SOURCING TA**

7.1 The Council has for many years spot-purchased accommodation through letting agents and RPs to deliver a more flexible approach to procuring accommodation. The Council currently works with over 20 such companies, and continually reviews working relationships and contracts in order to maximise the amount of accommodation that can be retained on the scheme and secure new units. The search for new agents and landlords to procure accommodation is constant, with potential new partners encouraged to complete a short questionnaire on the Council's website.

7.2 RBKC has also entered into three Framework Agreements led by Brent Council inside and outside of London. All three agreements featured a minimum of six boroughs (mostly but not exclusively from the West London sub-region) to increase purchasing power. However, whilst the first Framework Agreement (Brent PMA) worked well in 2011, the two more recent contracts (Brent PSA and Brent DPS) have not delivered the expected and needed volume of properties.

7.3 The Council has recently concluded that in addition to contracts with landlords (through letting agents), who can choose to remove properties from the TA scheme whenever they get a better offer, the Council should purchase accommodation itself to be more in control of the quality and length of time the accommodation can be used for. The Council is currently working with a number of sources to identify properties to purchase on the open market.

7.4 In summary the Council will seek to procure and obtain TA through the following routes:

- Delegated Authority to procure TA placements from the Brent Dynamic purchasing System (both in and out of London)
- Ongoing advertising on the Council's website, inviting expressions of interest from Providers able to provide the Council with TA, together with a selection/offer criteria to be applied
- Continued use of Private Sector Leasing schemes
- Spot purchasing TA placements through direct negotiation with both new and existing suppliers of TA not on the Brent Framework
- Property acquisitions.

7.5 It is important for the Council to be clear about its commissioning requirements with providers so that it can procure suitable TA in the most practicable locations. Being specific with our providers about the volume, type and location of properties should put us in a much stronger purchasing position.

7.6 New procurement options will look at:

- Further work with West London to look at options for securing TA in other geographical areas
- The exploration of long term leasing arrangements where the lease arrangements do not pose significant financial risks to the Council
- Developing specific new private sector schemes to discharge our housing duty.

Further details of planned action are set out at appendix 4. The TA Procurement Board will continue to monitor and promote the ongoing identification and exploitation of available opportunities to increase the supply of TA, wherever possible.

7.7 The Council will also continue to lobby Government and civil servants on changes to Homelessness legislation. Government could amend the statutory Code of Guidance in tone and content so it is fit for purpose to help councils take full advantage of the powers to discharge into the private sector and allocate housing beyond their boundaries and outside of London. Guidance also needs to reference affordability as a key priority in most cases when considering whether an offer of accommodation is suitable.

## **8.0 RISKS**

8.1 The key risks in procuring mainstream TA and accommodation in which to discharge into the private sector are:

- Maintaining and increasing the supply of good quality TA;
- Securing suitable properties in affordable areas that properly meet the Council's legal duties to homeless households.

A risk register is attached at appendix 5 on procurement activity.

8.2 The key risks in reducing the overall number in TA are:

- Failure to establish an effective scheme to discharge into the PRS, an increasingly important route to discharge given the reduction in supply of social housing
- Inability to identify and secure 'suitable' properties in affordable locations
- Reduction in the supply of social rented units and the as yet unquantified impact of the new "Right to Buy" and "Pay to Stay" proposals
- Continued reduction in the supply of 'new' social rented units.

## **9.0 MONITORING AND DELIVERY PLAN**

9.1 A TA Procurement Board has been established and this is chaired by the Director of Housing. The delivery plan will be monitored and reported on to the Board, which will include a financial assessment of the ongoing costs of TA. Targets in the actual plan are estimates and will be subject to a quarterly review.



## AVAILABILITY AND AFFORDABILITY ANALYSIS

## APPENDIX 1

The tables below summarise the availability of units and possible average losses that would be incurred by the Council if it procured properties in the identified areas.

RBKC - Summary Results of Properties Available																
Area	1 bed property				2 bed property				3 bed property				4 bed property			
	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw
Kensington and Chelsea	1,393	8		97	2,717	3		117	1,132			3	375			
Hammersmith & Fulham	716	31			1,232	48	2	8	498	5	3	5	241			
Westminster	2,654	11		209	3,398	3		369	1,943	1		13	627			
Brent	369	187	47	99	579	187	42	187	245	41	11	76	129	14	3	19
Camden	1,189	55	8	19	1,536	9		9	1,120			1	357			2
Newham	578	33		1	680	37			262	12			93	4		
Barking & Dagenham	98	10			172	9		2	115	4			24	6		2
Redbridge	244	22			428	7			178				75	1		
Enfield	223	113	7	7	347	172	8	4	154	41	6	3	87	41	3	3
Havering	67	23		2	164	32	1	8	77	7		2	20	4	2	2
Hounslow	298	76	13	19	612	220	62	29	252	74	21	10	106	30	14	4
	<b>7,829</b>	<b>569</b>	<b>75</b>	<b>453</b>	<b>11,865</b>	<b>727</b>	<b>115</b>	<b>733</b>	<b>5,996</b>	<b>185</b>	<b>41</b>	<b>113</b>	<b>2,134</b>	<b>100</b>	<b>22</b>	<b>32</b>
<b>Less 10% for Duplicates</b>	<b>7,046</b>	<b>512</b>	<b>68</b>	<b>408</b>	<b>10,679</b>	<b>654</b>	<b>104</b>	<b>660</b>	<b>5,396</b>	<b>167</b>	<b>37</b>	<b>102</b>	<b>1,921</b>	<b>90</b>	<b>20</b>	<b>29</b>
<b>%age of Properties Avail</b>		<b>7.27%</b>	<b>0.96%</b>	<b>5.79%</b>		<b>6.13%</b>	<b>0.97%</b>	<b>6.18%</b>		<b>3.09%</b>	<b>0.68%</b>	<b>1.88%</b>		<b>4.69%</b>	<b>1.03%</b>	<b>1.50%</b>

RBKC - Summary of Subsidy Shortfall compared to Average Rents									
Area	1 bed property		2 bed property		3 bed property		4 bed property		
	Annual Loss	Ranking	Annual Loss	Ranking	Annual Loss	Ranking	Annual Loss	Ranking	
Kensington and Chelsea	-£5,565	9	-£14,046	11	-£41,598	11	-£72,678	11	
Hammersmith & Fulham	-£5,925	10	-£10,479	8	-£20,776	9	-£15,606	8	
Westminster	-£5,301	8	-£10,998	9	-£31,854	10	-£33,798	10	
Brent	-£729	1	-£1,509	1	-£2,866	1	-£14,298	7	
Camden	-£6,297	11	-£11,385	10	-£18,202	8	-£15,606	8	
Newham	-£2,091	4	-£3,801	6	-£5,187	6	-£6,657	6	
Barking & Dagenham	-£2,643	7	-£4,029	7	-£5,769	7	-£4,401	2	
Redbridge	-£2,487	6	-£3,741	5	-£5,181	5	-£4,401	2	
Enfield	-£2,139	5	-£3,310	4	-£4,245	4	-£4,502	4	
Havering	-£1,443	3	-£3,141	3	-£3,981	3	-£3,501	1	
Hounslow	-£753	2	-£2,241	2	-£3,693	2	-£4,526	5	

### Rental Levels in Kensington and Chelsea

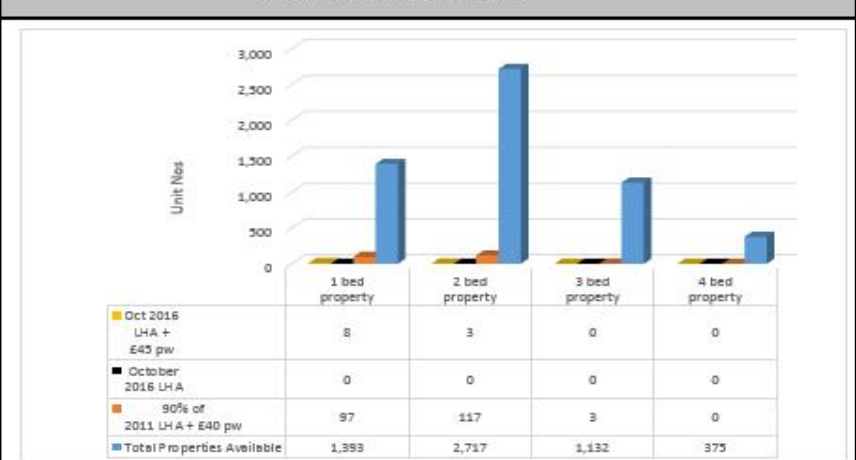
House Type	Market Rent £	Monthly Rents		
		Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw
1 bed property	£1,278 to £14,950	1,324	1,129	1,616
2 bed property	£1,408 to £25,783	1,505	1,310	2,167
3 bed property	£2,075 to £45,500	1,731	1,536	2,167
4 bed property	£2,708 to £45,500	2,002	1,807	2,167

### Units Available

Rent Levels	1 bed property	2 bed property	3 bed property	4 bed property
Oct 2016 LHA + £45 pw	8	3	0	0
October 2016 LHA	0	0	0	0
90% of 2011 LHA + £40 pw	97	117	3	0
Total Properties Available	1,393	2,717	1,132	375

(Source: Right Move)

### Analysis of Units Available

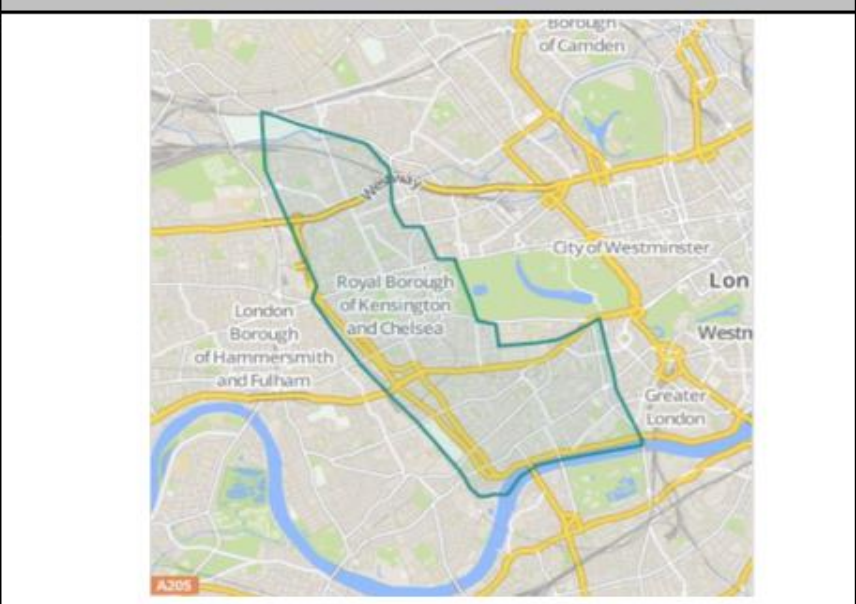


### Analysis of Benefit Subsidy Shortfall

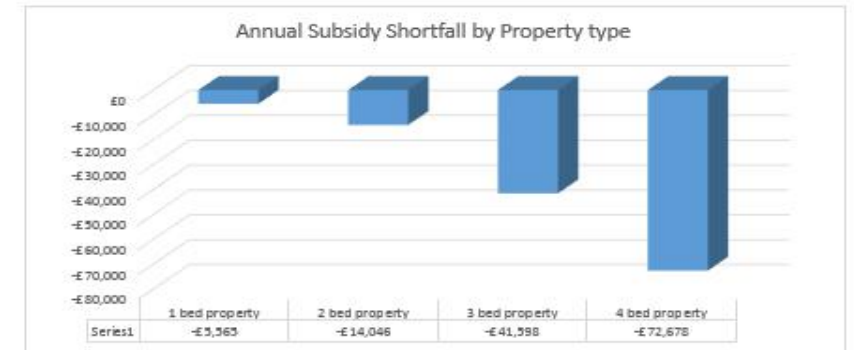
House Type	Monthly Rent		Subsidy Shortfall	
	Average Rents (Source: Home.co.uk)	90% of 2011 LHA + £40 pw	Annually	Weekly
1 bed property	£2,080	£1,616	(5,565)	(107)
2 bed property	£3,337	£2,167	(14,046)	(270)
3 bed property	£5,633	£2,167	(41,598)	(800)
4 bed property	£8,223	£2,167	(72,678)	(1,398)

### Map of Search Area

### Map of Search Area



(Source: Right Move)



### RBKC - Summary Results of Properties Available

Area	1 bed property				2 bed property				3 bed property				4 bed property			
	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	Total Available	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw
Luton	102	69	1	19	83	24		2	74	4		1	21	1		
Milton Keynes	117	25		6	171	43		8	98	16		3	56	1		1
Slough	123	82		18	162	61	2	17	83	32	2	2	19	17	8	9
Aylesbury	25	11		8	74	35		5	24	7	1	4	5	3		2
Harlow	18	15	1	3	22	8			21	2			5	1		
Basildon	31	11		3	52	15		6	20	2		1	6			
Chelmsford	30	20		6	116	32		8	34	1			15	1		
Southend on Sea	27	22	1	11	52	34	1	18	27	9	1	3	8	2	1	1
High Wycombe	39	19		7	68	29	3	11	43	6	1	1	17	10	6	10
Northampton	54	45	5	32	79	48	1	11	45	13		4	30	3	1	2
	566	319	8	113	879	329	7	86	469	92	5	19	182	39	16	25
<b>Less 10% for Duplicates</b>	<b>509</b>	<b>287</b>	<b>7</b>	<b>102</b>	<b>791</b>	<b>296</b>	<b>6</b>	<b>77</b>	<b>422</b>	<b>83</b>	<b>5</b>	<b>17</b>	<b>164</b>	<b>35</b>	<b>14</b>	<b>23</b>
<b>%age of Properties Available</b>		<b>56.36%</b>	<b>1.41%</b>	<b>19.96%</b>		<b>37.43%</b>	<b>0.80%</b>	<b>9.78%</b>		<b>19.62%</b>	<b>1.07%</b>	<b>4.05%</b>		<b>21.43%</b>	<b>8.79%</b>	<b>13.74%</b>

### RBKC - Summary of Subsidy Shortfall compared to Average Rents

Area	1 bed property		2 bed property		3 bed property		4 bed property	
	Annual Loss	Ranking	Annual Loss	Ranking	Annual Loss	Ranking	Annual Loss	Ranking
Luton	-£321	2	-£1,641	6	-£3,303	7	-£5,001	7
Milton Keynes	-£1,563	10	-£1,713	7	-£2,973	5	-£3,981	4
Slough	-£1,101	9	-£1,953	9	-£3,881	9	-£1,222	2
Aylesbury	-£549	5	-£831	2	-£2,247	3	-£1,329	3
Harlow	-£873	7	-£1,761	8	-£2,655	4	-£6,525	10
Basildon	-£981	8	-£1,461	4	-£1,953	2	-£4,221	6
Chelmsford	-£669	6	-£2,301	10	-£3,993	10	-£5,217	8
Southend on Sea	-£321	2	-£1,089	3	-£3,465	8	-£5,229	9
High Wycombe	-£495	4	-£1,509	5	-£3,261	6	£989	1
Northampton	£340	1	-£405	1	-£1,641	1	-£3,987	5

Kensington and Chelsea					Hammersmith & Fulham				
Annual Rent					Annual Rent				
House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw
1 bed property	£24,960	£15,892	£13,552	£19,395	1 bed property	£19,236	£14,984	£12,844	£13,311
2 bed property	£40,044	£18,055	£15,715	£25,998	2 bed property	£27,300	£18,060	£15,720	£18,821
3 bed property	£67,596	£20,770	£18,431	£25,998	3 bed property	£41,340	£20,770	£18,431	£20,561
4 bed property	£98,676	£24,023	£21,883	£25,998	4 bed property	£41,604	£24,023	£21,883	£25,998
Benefits Cap Limit	£23,000	£23,000	£23,000	£23,000	Benefits Cap Limit	£23,000	£23,000	£23,000	£23,000
Rent Costs as %age of Benefits Cap					Rent Costs as %age of Benefits Cap				
House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw
1 bed property	108.5%	69.1%	58.9%	84.3%	1 bed property	83.6%	65.1%	55.0%	57.9%
2 bed property	174.1%	78.5%	68.3%	113.0%	2 bed property	118.7%	78.5%	68.3%	73.1%
3 bed property	293.9%	90.3%	80.1%	113.0%	3 bed property	179.7%	90.3%	80.1%	89.4%
4 bed property	429.0%	104.4%	94.3%	113.0%	4 bed property	180.9%	104.4%	94.3%	113.0%
<b>If Housing Costs are greater than 40% then results are highlighted in red</b>					<b>If Housing Costs are greater than 40% then results are highlighted in red</b>				
Westminster					Brent				
Annual Rent					Annual Rent				
House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw
1 bed property	£24,696	£15,892	£13,552	£19,395	1 bed property	£14,976	£15,892	£13,552	£14,241
2 bed property	£36,996	£18,055	£15,715	£25,998	2 bed property	£19,500	£18,060	£15,720	£17,991
3 bed property	£57,852	£20,770	£18,431	£25,998	3 bed property	£26,004	£20,770	£18,431	£23,131
4 bed property	£59,796	£24,023	£21,883	£25,998	4 bed property	£40,296	£24,023	£21,883	£25,998
Benefits Cap Limit	£23,000	£23,000	£23,000	£23,000	Benefits Cap Limit	£23,000	£23,000	£23,000	£23,000
Rent Costs as %age of Benefits Cap					Rent Costs as %age of Benefits Cap				
House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw	House Type	Average Rents	Oct 2016 LHA + £45 pw	October 2016 LHA	90% of 2011 LHA + £40 pw
1 bed property	107.4%	69.1%	58.9%	84.3%	1 bed property	65.1%	69.1%	58.9%	61.9%
2 bed property	160.9%	78.5%	68.3%	113.0%	2 bed property	84.8%	78.5%	68.3%	78.2%
3 bed property	251.5%	90.3%	80.1%	113.0%	3 bed property	113.1%	90.3%	80.1%	100.6%
4 bed property	260.0%	104.4%	94.3%	113.0%	4 bed property	175.2%	104.4%	94.3%	113.0%
<b>If Housing Costs are greater than 40% then results are highlighted in red</b>					<b>If Housing Costs are greater than 40% then results are highlighted in red</b>				

**NEW SELF-CONTAINED PROPERTIES PROCURED SINCE 2012 – CURRENT, BY REGION**

West London	Brent	95		
	Ealing	15		
	Harrow	7		
	Hillingdon	17		
	Hammersmith and Fulham	12		
	Hounslow	11		
	Kensington and Chelsea	134	291	21.40 %
East London	Barking and Dagenham	130		
	City of London	0		
	Hackney	74		
	Havering	73		
	Newham	74		
	Redbridge	81		
	Tower Hamlets	173		

North London	Waltham Forest	25	630	46.32 %
	Barnet	18		
	Camden	17		
	Enfield	82		
	Haringey	14		
	Islington	24		
	Westminster	140		
South West	Croydon	2	57	4.19%
	Kingston	0		
	Lambeth	10		
	Merton	0		
	Richmond	0		
	Sutton	3		
	Wandsworth	42		
South East	Bexley	2	6	
	Lewisham	6		

Out of  
London

Greenwich	15
Southwark	9
Bromley	1
Basildon	13
Central Bedfordshire	1
Epping Forest	4
Harlow	1
Manchester City	2
Medway	1
North Hertfordshire	1
Runnymede	1
Slough	2
Southend	4
Stevenage	1
Thanet	2
Thurrock	17
Watford	1

33

2.43%

Welwyn Hatfield	2		
Wycombe	1	54	3.97%
	1360	1360	



NEW SELF CONTAINED PROPERTIES PROCURED 2012 - CURRENT

		2012	2013	2014	2015	2016	Total	Average size *
q	Kensington and Chelsea	25	38	34	34	3	134	1.38
	Hammersmith and Fulham	3	5	0	3	1	12	2.00
	Westminster	21	21	49	42	7	140	1.61
West London	Brent	6	43	22	18	6	95	2.42
	Ealing	1	8	2	2	2	15	2.20
	Harrow	2	1	1	2	1	7	1.43
	Hillingdon	4	6	1	5	1	17	1.41
	Hounslow	3	3	1	3	1	11	0.91
London	Barking and Dagenham	67	39	10	14	0	130	2.72
	Barnet	6	4	1	0	7	18	1.39
	Bexley	0	1	0	1	0	2	4.00
	Bromley	1	0	0	0	0	1	1.00
	Camden	0	9	7	1	0	17	1.06
	Croydon	0	0	0	2	0	2	2.50

	Enfield	41	13	3	22	3	82	1.95
	Greenwich	3	11	0	1	0	15	2.53
	Hackney	42	20	7	5	0	74	1.80
	Haringey	5	6	0	3	0	14	2.64
	Havering	26	15	18	13	1	73	2.56
	Islington	2	3	5	14	0	24	2.38
	Lambeth	7	0	1	0	2	10	1.70
	Lewisham	1	4	0	0	1	6	1.83
	Newham	25	28	17	4	0	74	2.45
	Redbridge	27	30	6	17	1	81	2.48
	Southwark	4	0	0	1	4	9	1.89
	Sutton	0	3	0	0	0	3	4.00
	Tower Hamlets	27	53	50	42	1	173	2.10
	Wandsworth	18	7	12	4	1	42	2.71
	Waltham Forest	9	7	3	4	2	25	1.56
Out of London	Basildon	0	2	2	8	1	13	3.00
	Central Bedfordshire	0	1	0	0	0	1	3.00
	Epping Forest	1	1	1	0	1	4	2.25

Harlow	0	1	0	0	0	1	3.00
Manchester City	2	0	0	0	0	2	2.00
Medway	0	0	0	1	0	1	4.00
North Hertfordshire	1	0	0	0	0	1	4.00
Runnymede	0	0	0	1	0	1	4.00
Slough	0	1	0	0	1	2	2.50
Southend	0	4	0	0	0	4	2.00
Stevenage	1	0	0	0	0	1	3.00
Thanet	2	0	0	0	0	2	1.50
Thurrock	3	4	2	8	0	17	2.29
Watford	0	1	0	0	0	1	2.00
Welwyn Hatfield	0	1	0	1	0	2	1.50
Wycombe	0	0	1	0	0	1	4.00
	386	394	256	276	48	1360	

\* Average size (where studio = 0, one bed = 1 two bed = 2 etc.) shows the average property size for each area. Our core demand is for 2 and 3 bed accommodation so areas that have an average between 2 and 3 cater for this need.

## ACTION PLAN

WORK AREA	HOW WILL THIS BE ACHIEVED	ACTION	DEADLINE	TARGET NUMBER OF UNITS BY
<b>Purchase accommodation privately</b>	The Council is able to use the General Fund to purchase properties on the open market which could provide TA. Business case has been completed and £10m budget agreed.	Complete purchase of 30 – 40 properties and review business case to seek additional funding	April 17	30 - 40 by April 2017
<b>Pilot discharge into the Private Rented Sector</b>	The Council can now fulfil its statutory responsibility by discharging into the private rented sector.  A pilot with providers will be conducted to look at how this can be achieved. Incentive payments will be paid to the provider for each household accommodated.	Pilot to commence Sept 16	Sept 16	20 by 2017
<b>Increase the supply levels of TA in out of London and new geographical areas</b>	Much of London will be unaffordable for many households and there is a need to procure accommodation in new more affordable areas.	Continue the use of the Dynamic Purchasing System to try and expand into new areas.	Ongoing	Units maximised where possible

		Complete a targeted procurement at specific geographical areas.		
<b>Explore longer term leasing arrangements on a case by case basis</b>	Proposals have offered larger long term schemes but have in the main been unaffordable or have not had the right unit composition. Proposals should continue to be considered as they arise and risk assessments completed for each potential bid.	Consider proposals as they are submitted and consider joint work with other boroughs	Ongoing	TBC on an individual basis
<b>Participate in the West London Private Sector Project</b>	The procurement of PRS properties in areas in England, where it is possible to procure PRS properties at rent levels that are significantly lower than London.	Participate in the project to secure access to properties	April 2017	Units maximised where possible

**RISK REGISTER**

**APPENDIX 5**

REF	DESCRIPTION	RISK RATING	COUNTER-MEASURES	DATE IDENTIFIED	CURRENT STATUS OPEN/ CLOSED
1	Inability to procure a sufficient supply of affordable TA in the right locations to enable people to move / to meet demand and customer requirements	High	Implement the following procurement options: <ul style="list-style-type: none"> <li>▪ Purchase properties</li> <li>▪ Use of the Dynamic Purchasing System (DPS)<sup>i</sup></li> <li>▪ Ongoing negotiations with exiting providers to increase supply</li> <li>▪ Ongoing advertising on the Council's website</li> <li>▪ Identification of new suppliers</li> <li>▪ Procurement of TA across a wider geographical area</li> <li>▪ Consider financial incentive options for increasing supply</li> <li>▪ Clear specifications on purchasing requirements</li> <li>▪ Better analysis of exactly what accommodation is required for households' needs and clear specifications</li> <li>▪ Voids monitoring</li> </ul>	May 16	Open

2	Existing TA supply levels reduced as landlords seek properties back due to competing prices and welfare reform concerns	Medium	<ul style="list-style-type: none"> <li>▪ Procurement in areas outside of London</li> <li>▪ Ongoing liaison with providers to identify properties at risk</li> <li>▪ Consider financial options for retaining properties</li> <li>▪ Operation of an effective TA transfer policy in place to ensure that households are identified well in advance for moves</li> <li>▪ Consider attempting to convert them to ASTs for discharge of duty purposes</li> </ul>	May 16	Open
3	Inability to expand supply of TA outside of London	Medium	<ul style="list-style-type: none"> <li>▪ Use of the DPS</li> <li>▪ Ongoing promotion of the DPS to attract new providers</li> <li>▪ Consider a targeted procurement for discharge into the PRS – longer leases</li> </ul>	May 16	Open
4	Increasing costs of TA due to: <ul style="list-style-type: none"> <li>▪ Increased homeless presentations</li> <li>▪ Increased competition for properties</li> </ul>	High	<ul style="list-style-type: none"> <li>▪ Increased procurement activity</li> <li>▪ Outside of London procurement</li> <li>▪ Effective monitoring in place to track trends in TA use</li> </ul>	May 16	Open
5	Impact of overall benefit cap increasing TA costs	High	<ul style="list-style-type: none"> <li>▪ Identification of ‘at risk’ households</li> <li>▪ Needs assessments completed for each household and support services in place</li> <li>▪ Use of Discretionary Housing Payments (DHPs)</li> <li>▪ Robust implementation of the TA placements policy to ensure that households are allocated to appropriate areas</li> <li>▪ Targeting of advice on benefits and employment/training to affected households</li> <li>▪ Identification of those households most adversely affected will be a priority group for moving - consider use of direct lets</li> </ul>	May 16	Open

6	Households refuse to move to out of RBKC/London locations	Medium	<ul style="list-style-type: none"> <li>▪ Robust TA placements policy in place</li> </ul>	May 16	Open
7	Increased legal costs arising from an increase in legal challenges to moves/TA offers	Medium	<ul style="list-style-type: none"> <li>▪ Robust TA placements policy in place</li> <li>▪ Housing Needs Review Officers monitoring TA offers</li> </ul>	May 16	Open
8	Reduction in TA income due to arrears	High	<ul style="list-style-type: none"> <li>▪ Use of Procurement of more affordable properties</li> <li>▪ Use of DHPs</li> <li>▪ Effective income management arrangements in place on the TA Income Team</li> </ul>	May 16	Open
9	Reduction in TA income due subsidy changes	High	<ul style="list-style-type: none"> <li>▪ Financial modeling undertaken to identify financial impact</li> </ul>	May 16	Open
10	Reduction in the number of available social rent lettings as a result of the new RTB proposals	High	<ul style="list-style-type: none"> <li>▪ Financial modeling undertaken to identify financial impact</li> </ul>	May 16	Open

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i Operates on the same basis as a Framework Agreement but providers can joint at any time whilst the Framework is in existence