

Executive

Proposals for use of top sliced flexible homelessness support grant: Temporary Accommodation and homelessness prevention joint working

Item no: 4

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Summary: In October 2017 Leaders asked for a full business plan to be completed outlining proposals for the £39m top sliced funding held by the Ministry for Housing, Communities and Local Government (MHCLG) for pan-London joint working on Temporary Accommodation (TA). The draft plan is now being finalised. Any drawing down of the funding is reliant on pan-London working, and MHCLG final sign off.

Recommendations Executive is asked to:

- Note developing proposals for joint working to draw down top sliced Flexible Homelessness Support Grant funding for London
- Offer any strategic guidance in further refining the proposal prior to reporting to Leaders Committee

Proposals for use of top sliced flexible homelessness support grant: Temporary Accommodation and homelessness prevention joint working

Background and Context

1. MHCLG has allocated a total of £39million for potential joint working in procurement of accommodation to prevent and relieve homelessness and for use as temporary accommodation, over three years. This funding is top sliced from the Flexible Homelessness Support Grant¹ (FHSG), which supports a range of work combating and relieving homelessness. It is available only to support joint working and to assist with stabilising the cost of homelessness placements, and would not come to London without the joint working approach.
2. In October 2017, Leaders' Committee agreed that a full business planning process should go ahead focusing on how the MHCLG funds could best assist boroughs in homelessness relief work. The plan will be developed further and finalised over the summer.
3. MHCLG will assess viability and commit funding on that basis (the funding has been agreed for this purpose by ministers).

Homelessness and TA

4. The immediate background to this work is the increasing burden of homelessness and the resulting provision of TA and prevention placements. In March 2017 there were 77,240 households in TA nationally, an increase of 60 per cent since March 2011. Seven out of ten of these households are placed by London boroughs. The cost of providing TA in 2015/16 (£845 million) accounted for more than three quarters of the total cost of providing homelessness services nationally (£1.15 billion).
5. London Councils' research² from the preceding year (2014/15) found that London boroughs were subsidising temporary accommodation from general fund resources to the amount of £170m, or a quarter of the total cost to London (£663m). While spending by local authorities on temporary accommodation has significantly increased since 2010, spending on overall housing services has fallen by 21 per cent in real terms over the same period.

¹ Formerly this funding was provided in the form of the Temporary Accommodation Management Fee (or TAMF). The FHSG is more flexible in terms of the usage, for example it is easier to use it for prevention cases.

² <http://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/homelessness/temporary-accommodation-london-report>

6. There are around 50,000 households in temporary accommodation on any given night in London. This is costly and inefficient and the options for individual households very variable.
7. The Greater London Authority forecasts that boroughs may need in the region of 50,000 additional tenancies for homeless households over the four years from 2017. In addition there will be further increases, yet to be quantified, arising from the nascent requirements of the Homelessness Reduction Act.
8. London has lobbied extensively that more funding is needed for boroughs to provide the requisite level of service to meet the increasing statutory requirements via the Homelessness Reduction Act, and increasing incidence of homelessness of all types. The £39 million potentially provided via this route is, of course, no solution to this issue. It will, however, provide some assistance to London in meeting this challenge.

Working group and progress so far

9. Following a competitive tender process, Tim Gray was appointed to produce an initial business case, and then a full business plan.
10. A group of twenty-four boroughs were involved in the working group to support the business planning work. Not all of these boroughs will be involved in any initial roll out, but all have inputted into and scrutinised the proposals.
11. The work is also underpinned by a number of surveys and discussions with London officer groups on a sub-regional and pan-London level including the London Financial Advisory Committee (LFAC), the Housing Needs Group.

Proposals for joint-working

12. The proposals are summarised as follows:
 - Boroughs collectively set up a not for profit company (limited by guarantee) under Teckal rules to act as a procurement and services vehicle. The set-up will be funded 100% by the MHCLG grant, top-sliced FHSG.

- Boroughs second specialist procurement staff into the company. The company pays boroughs for these staff and will recruit additional staff using the MHCLG funding.
- The company brokers private tenancies direct with landlords and secures leased accommodation from private owners.
- When buying through the jointly owned company, boroughs pay significantly reduced Landlord Incentives to secure PRS properties, and top up payments to cover the difference between LHA rents and rents required by landlords. This is possible because payments are subsidised by up to 50% by MHCLG funding in at the first 3 years, with possible subsequent MHCLG funding depending on the outcome of the forthcoming Spending Review. This is additional to economies of scale, efficiencies, market development and other benefits detailed in paragraph 13 below and in the appendix to this report.
- The company will be able to claim 100% Local Housing Allowance (LHA) from the Department of Work and Pensions, which on average across London is £35p.w. higher than borough let TA³.
- The company acts as a private landlord, charging LHA levels, to tenants placed by boroughs for homelessness prevention, as TA or under PRSO arrangements.
- An MHCLG funded tenancy sustainment and landlord liaison team is recruited to help sustain tenants in PRS accommodation and troubleshoot problems for landlords, thus increasing the number of landlords wanting to let their accommodation through the programme.
- Boroughs pay a procurement fee to the company to cover the cost of landlord incentive payments or the difference between lease rents and LHA. These rates are substantially subsidised by MHCLG top-sliced FHSG.
- In the case of leased accommodation, boroughs may choose to manage properties themselves or to pay a fee to the company to manage the accommodation at cost.

³ Which is capped at 90% of January 2011 LHA

- Boroughs make savings on nightly paid accommodation and the ambition is for TA numbers reduce overall as PRSOs enable discharge of duty.

13. The estimated aggregate financial benefit of the proposals to London Boroughs are up to £127m, plus potential savings on changing how placements are made and reduced repeat homelessness through tenancy sustainment. It will also build on the effective work through the Inter Borough Accommodation Agreement (IBAA) which has led to reduced spending through rate sharing and the application of a cap on rates paid for certain accommodation. The company will work within this system, and provide further opportunities to rationalise and secure efficiencies in the procurement of accommodation for homeless households.

14. It is anticipated that a small group of boroughs (around ten) will pilot the proposals, with opportunities for other boroughs to join at a later point. The company will act in line with the agreement on IBAA rates. Boroughs are not compelled to join and there will be no penalty (other than not accessing the MHCLG funding and other potential efficiencies) for boroughs who decide not to join.

Recommendations and decisions:

The Executive is asked to

- Note developing proposals for joint working to draw down top sliced Flexible Homelessness Support Grant funding for London
- Offer any strategic guidance in further refining the proposal prior to reporting to Leaders Committee

Financial implications for London Councils

None

Legal implications for London Councils

None

Equalities implications for London Councils

None