

London Borough of Enfield

Finance and Performance Scrutiny
29th March 2023

Subject: Temporary Accommodation Pressures and the Housing Rental Market and Regulation

Cabinet Member: Cllr Savva
Executive Director: Sarah Cary

Purpose of Report

1. To update the Panel on Temporary Accommodation within the London Borough of Enfield. The report will include commentary on current pressures being experienced by residents who cannot find affordable accommodation and who are at risk of homelessness and on the Housing Advisory Service.

Relevance to the Council Plan

2. Good homes in well-connected neighbourhoods
In seeking to drive up the quality and availability of properties in the private rented sector, the service aims to increase the number and quality of homes available to low-income households in the borough.
3. Sustain strong and healthy communities
Poor quality housing and homelessness have been identified as key factors in health inequality. Through reducing the number of households reaching crisis point and increasing the supply and quality of rented homes we help to reduce the impact of homelessness and poor housing on the health and wellbeing of our residents.
4. Build our local economy to create a thriving place
The service aims to ensure a thriving, high quality private rented sector that is accessible to low income households. By acting proactively to engage with and support landlords we aim to increase the supply of rented homes.

Background

5. As outlined in our Homelessness Prevention Strategy, the Council is committed to using all its resources and creativity to make the experience of homelessness rare, brief and non-recurring. We are determined to enable everyone to access a stable, secure and decent home.
6. In 2019 the Smith Institute was commissioned to carry out research into the drivers of homelessness in the borough and how the Council should respond to a 246% increase in the rate of homelessness acceptances between 2010 and 2017.
7. The core message of the Smith Institute's research was that poverty is the key driver of homelessness. What set Enfield apart from other London

boroughs was the high number of poorer households living in the private rented sector. This combination of households with low levels of financial resilience living in a relatively fluid private sector housing market led to a 246% increase in the rate of homelessness acceptances in Enfield over a seven-year period compared with 35% across London.

8. The increased rate of homelessness had led to a steady rise in the number of households in temporary accommodation with over 3450 households living in long term temporary accommodation in September 2019.
9. In response to the report, Cabinet approved a new strategy to address the rising numbers of households experiencing homelessness and in long term temporary accommodation. The key strands of the strategy were:
 - Private Rented Sector as the solution
 - Clear communication and messaging with residents on their options
 - Prevention and support are better than relief
 - Temporary Accommodation should be genuinely temporary
 - Give residents informed choices
 - Focus on outcomes for residents
10. Subsequent Cabinet reports were approved on partnering arrangements with Capital Letters and the Single Homelessness Prevention Service, and the allocation of housing covering temporary accommodation, private rented sector placements, intermediate housing and social housing. Taken together these were designed to create a holistic approach to the distribution of homes across all housing tenures.
11. The business case for the transformation was based on two principles:
 - Improving the quality of service and outcomes for residents
 - Reducing the financial burden placed on the Council
12. This recognised that the highest cost to the Council was the provision of long-term temporary accommodation. The business case was therefore based on an invest to save model with increased staffing on prevention and early intervention being paid for through a reduction in the number of households in temporary accommodation. Based on historic performance we forecast that the number of households in temporary accommodation would rise by 10% each year without action.
13. The vision for the service is therefore:
 - To enable everyone to access a stable, secure and decent home regardless of tenure.
 - Step in to prevent people from becoming homeless at the earliest possible stage, rather than waiting until they have a crisis
 - Equip people with the skills to manage a tenancy in the PRS through training and support
 - Reshape the housing market to improve access to housing in the private rented sector for residents whilst improving quality
14. The core aims are to:

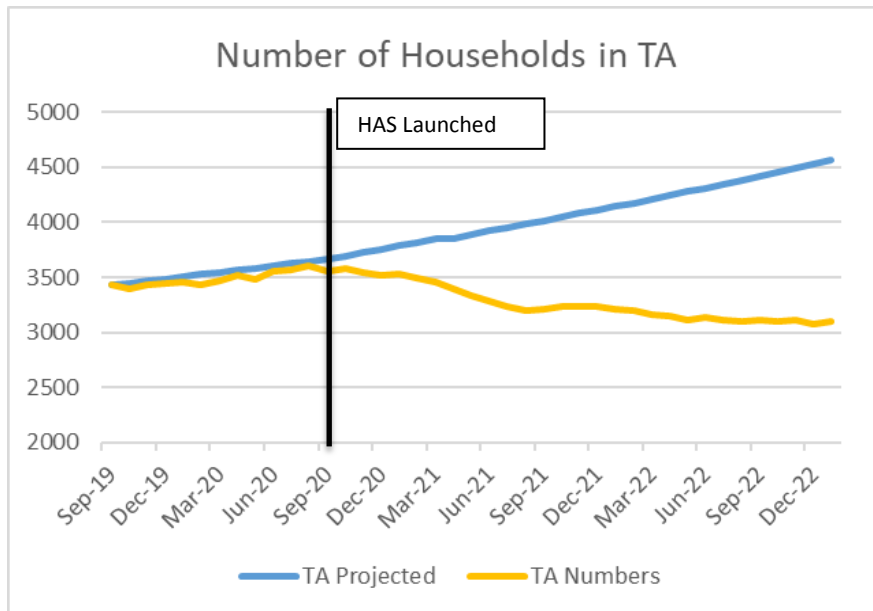
- Have fewer than 500 household in temporary accommodation within five years
 - No one being in temporary accommodation for more than six months
15. The service model was developed pre covid, and the operating environment and Central Government policy have changed significantly over the last three years. This report sets out progress against the original plan, and changes and pressures in a post covid world.

Main Considerations for the Panel

Operating Environment

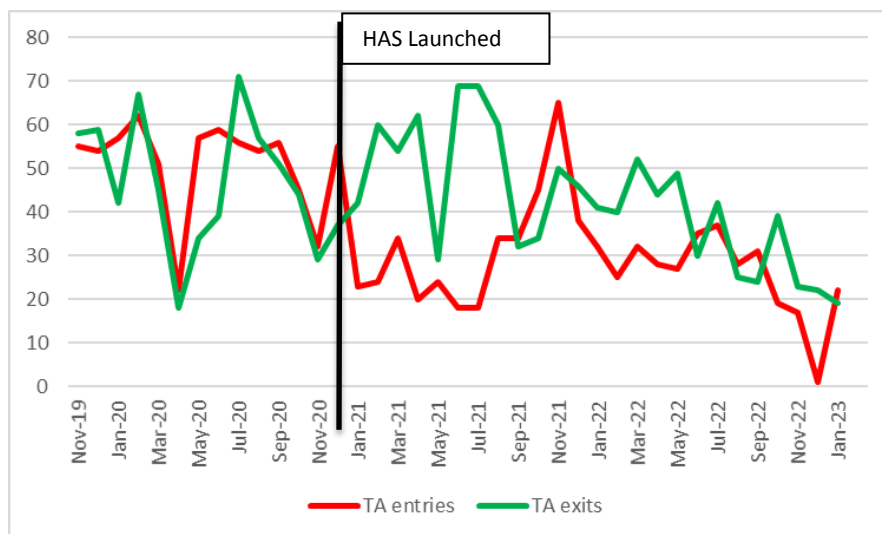
Covid Pandemic

16. The impact of Covid cannot be overstated. In the first days of the initial lockdown the government asked the Council to bring all rough sleepers off the streets and to move those accommodated in night-shelters into self-contained units.
17. Between April and August 2020, the Council provided emergency accommodation to over 500 people and the number of households in temporary accommodation climbed to 3665 by June 2020. Edmonton Travelodge was converted into a hostel for three months.
18. The Council was successful in securing over £10m of additional capital and revenue funding to secure move on accommodation and develop support services for rough sleepers. This formed the basis for the new Street Homelessness Team. The experience of running Travelodge informed the design and delivery of a new Somewhere Safe to Stay Hub which opened in January 2021, this has now been expanded to provide an additional 22 bedspaces. This provides accommodation for verified rough sleepers, rapid assessment and move on services.
19. Recruitment to the Housing Advisory Service was delayed by the first lockdown and its aftermath and so did not commence until September 2020. This in turn delayed the launch of the new service to the end of October 2020.
20. During the pandemic, private landlords were barred from evicting tenants. This meant that most of the people approaching the service for help did so as a result of relationships breakdown. The number of homelessness approaches remained fairly constant at around 200 per month throughout the pandemic. This was similar to pre-pandemic levels, reflecting the increased strain on relationships as a result of the successive lockdowns.



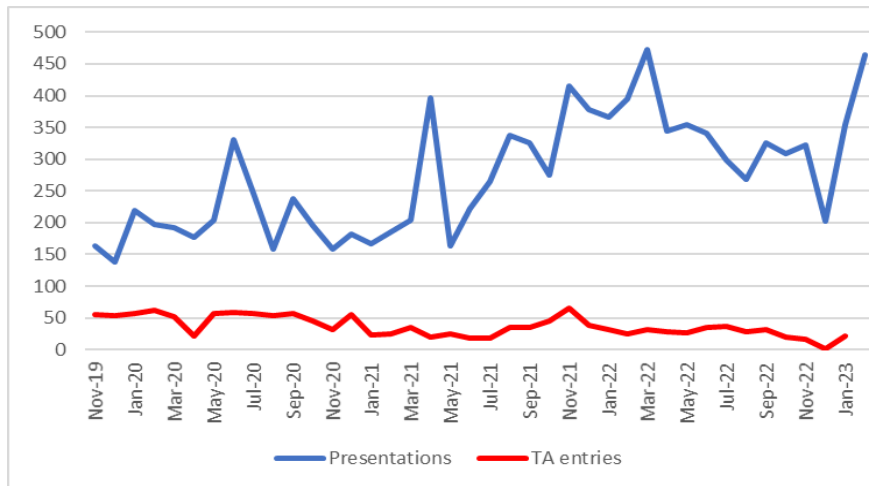
21. Covid therefore suppressed the number of evictions, but it also made it much more difficult to secure privately rented accommodation as fewer people were moving and parts of the housing market had effectively paused during the pandemic.

22. The impact of our focus on prevention was immediate. The service launched in October 2020, and the increased prevention activity meant that fewer households needed to move into temporary accommodation.



23. Initiatives to help residents to move to the private rented sector included the launch of Enfield Let (our ethical lettings agency), Capital Letters procurement increasing supply, and changes to the allocations scheme that both encouraged residents to move out of temporary accommodation and prioritised those unable to do so for social housing. This in turn led to the number of households living in temporary accommodation falling for the first time in many years, bucking the national trend.

24. The end of the last lockdown in April 2021, resulted in a surge of households presenting as homeless. However, our focus on prevention meant that this was not reflected in the number of households moving into temporary accommodation.



25. In August 2021, the government lifted the ban on evictions. This produced an immediate surge in the number of households entering temporary accommodation. However, the number of households entering temporary accommodation remained low in comparison with previous years due to the impact of our prevention-based service.

26. The impact of landlords evicting tenants, combined with the on-going cost of living crisis has meant that the number of households approaching the Council for help has risen from 196 in October 2021 to 464 in February 2023. We anticipate that the high number of households in need of assistance will continue for at least the next two years, reflecting wider changes in the housing market.

27. Despite these high figures the service has effectively intervened so that the number of households needing emergency accommodation remains relatively low, with only 22 out of the 355 households needing temporary accommodation in January 2023.

28. The table below provides a snapshot across the last three years:

	Oct-19	Oct-20	Oct-21	Oct-22
Homelessness Approaches	184	196	275	308
TA Entries	71	45	45	19

29. Despite a consistent rise in the number of households approaching the Council for help, the number of households needing emergency housing has been reduced dramatically. In October 2019, 38% of households approaching the Council needed emergency accommodation. By October 2022, this figure had dropped to just over 6%.

Market Changes

30. House prices were initially boosted by the waiving of stamp duty on purchases for a limited time. Prices continued to climb until the autumn of 2022. Changes to the tax regime for buy to let investors have also meant much lower returns for many landlords.

31. Through the Renters Reform Bill several proposals to increase the regulation of the private rented sector have been made. The key elements of the proposals are:

- Removal of s21 'no fault' evictions
- Decent homes standard extended to cover private rented properties

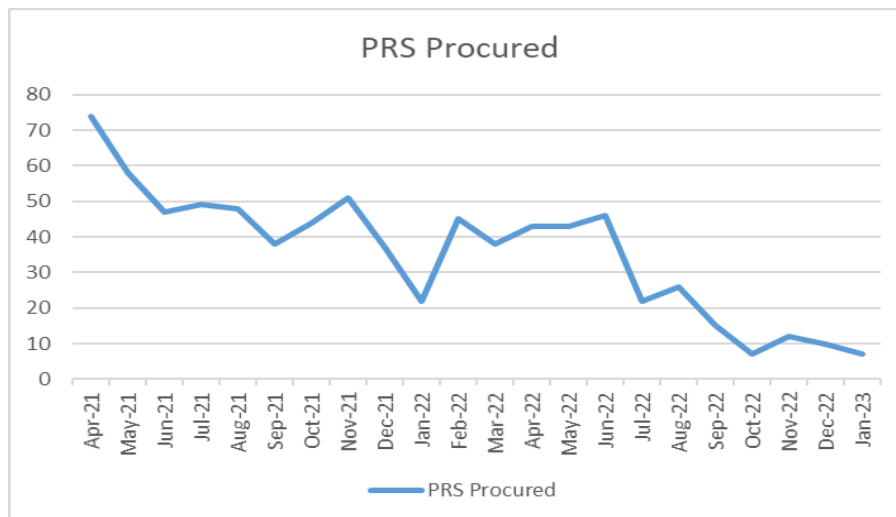
- Minimum EPC rating for new lets to be EPC band C from April 2025
- Minimum EPC rating for all lets to be EPC band C from April 2028

32. These proposals are all welcome developments in improving the quality of properties in the private rented sector. Our Licencing scheme plays a vital role in driving up the quality of properties in the private rented sector. Since its introduction in 2021 it has registered some 13,500 properties and ensured compliance with gas and electrical safety for these properties. The Council has received £4.7m in license fees to date with another £3.7m pending payment. Five cases are being progressed for prosecution and the team have imposed 59 financial penalties for housing related offences. It will have an ongoing role in ensuring the enforcement of new standards in the Renters Reform Bill.

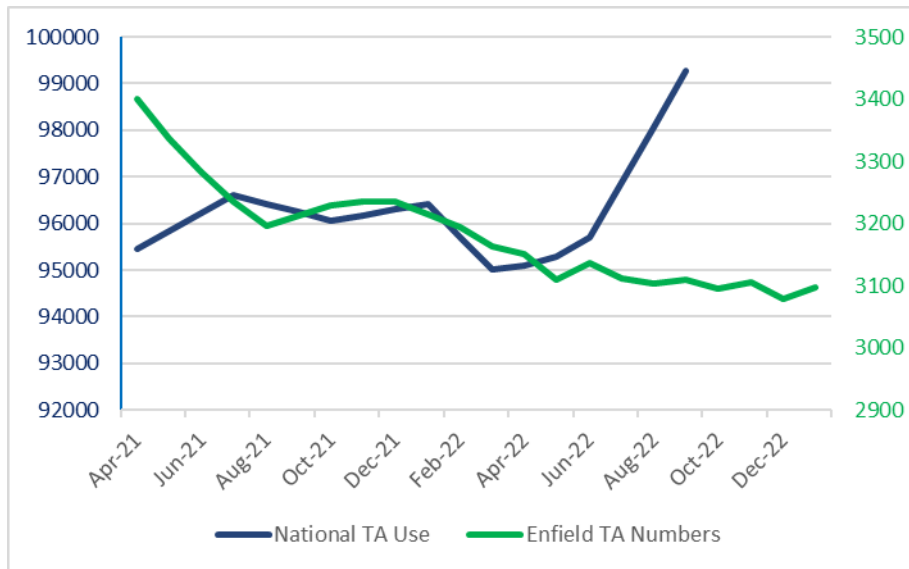
33. However, for landlords, the high market value combined with the cost of improving their properties and changes to the tax regime means that many are exiting the market. This trend has been further exacerbated by the rise in interest rates over the last few months.

34. These factors have led to a shortage of the supply of privately rented properties and a rise in rent levels. Research carried out by Savills (on behalf of Capital Letters last summer) suggested that rents had increased in Enfield by between 4% and 6%. They also found that there had been a 42% reduction in the supply of private rented properties in Enfield over the last two years.

35. These figures match the experience of the Housing Advisory Service. The supply of private rented properties at Local Housing Allowance (LHA) rents has reduced by 90% since April 2021 and 84% since April 2022. With LHA frozen at 2020 rates there is little prospect of an increase in supply of affordable private rented accommodation within the borough.



36. This challenge is happening at a national level and is reflected in both the number of homelessness approaches and the use of temporary accommodation. The effectiveness of our prevention activity has mitigated the impact in Enfield but nationally the use of temporary accommodation has risen from 95,000 households at the end of March 2022 to 99,270 households at the end of September 2022 (the most recent figure available).



37. In Enfield, the number of households in temporary accommodation has remained relatively static at just under 3100 due to the focus of our service model.

38. The number of Enfield households in temporary accommodation securing private rented accommodation has fallen in line with the supply. This is reflected in the number of households moving out of temporary accommodation.



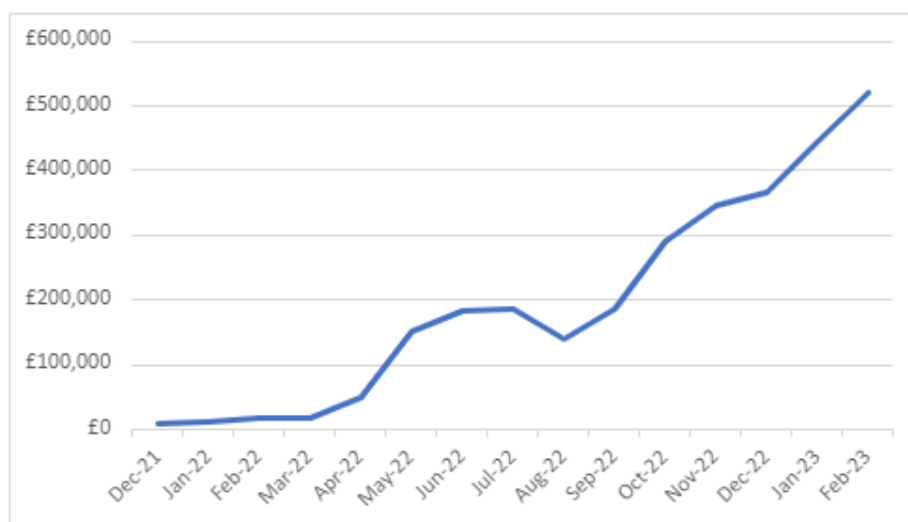
39. This shortage of affordable private rented homes has meant that the service has failed to achieve its targets in reducing the number of households in temporary accommodation.

40. The changes in the housing market have also impacted the supply of temporary accommodation. Nightly paid accommodation is below Local Housing Allowance rent levels and so supply has also been impacted by the rise in rent levels. The lower numbers of households moving out of temporary accommodation has increased this pressure as this has increased the need for more temporary accommodation.

41. This shortage of temporary accommodation means that the service has been dependent on commercial hotels and shared accommodation in recent months. This is not suitable for residents, particularly those with

children, for any length of time and it is also very expensive for the Council.

42. The chart below shows the financial spend on commercial hotels. As a statutory service we are obliged to provide accommodation regardless of its cost or availability.



43. These pressures are not unique to Enfield and are being felt nationally. The problem is most acute in London and London Councils have been collating data from boroughs to monitor the effect of the current challenges. The table below shows the year-on-year changes to November 2022 across Greater London.

Homelessness pressures

	November 2021	November 2022	
Total number of homelessness presentations	5,899	6,949	+17.8% +1,050
Total number of households owed a prevention or relief duty	5,822	6,283	+16.9% +983
Total number of households in TA	51,639	53,250	+3.1% +1,611
Total number of Children in TA	64,868	66,318	+2.2% +1,450
Families in Bed and breakfast (B&B) hotels (including shared annexes)	1,545	1,882	+21.8% +337
Families in B&B hotels (including shared annexes) for longer than 6 weeks	292	817	+179.8% +525

Welfare Benefits

44. Welfare benefits play a key role in trapping people in temporary accommodation. Most people are aware of the benefit cap, and this limits single people and households with more than two children who are not in employment. However, whilst a household is in temporary accommodation, they are entitled to full Housing Benefit provided they

have a Universal Credit claim, regardless of their income. Their Housing Benefit is not included in the benefit cap calculation. If they move to a private rented property, they will be worse off as their housing costs will be included in the calculation. This effectively traps people on Universal Credit as it means that it is always cheaper for them to live in temporary accommodation than any other tenure.

45. The acceleration of the transition from legacy benefits to Universal Credit has recently been announced. This is important because it will mean that more people in temporary accommodation will be entitled to full housing benefit.
46. The lack of alignment of the benefit system and temporary accommodation rents is therefore trapping households in temporary accommodation, as even households securing Council Housing tenancies at social rent are financially worse off if they leave temporary accommodation.
47. This is exacerbated by the freeze in Local Housing Allowance at 2020 rates. Rents have increased significantly over the last three years, but Local Housing Allowance has been frozen. The table below sets out the monthly Local Housing Allowance rates for Enfield alongside the average private rent:

	1 bed	2 bed	3 bed	4 bed	5 bed
LHA	£1,067	£1,296	£1,596	£1,895	£1,895
Average Rent 2021	£1,000	£1,400	£1,780	£2,090	£2,780
Average Rent 2022	£1,070	£1,510	£2,000	£2,490	£3,060
Annual change	6.80%	7.60%	12.00%	18.90%	10.10%

48. The above figures are based on research by Hamptons. As a result, most properties within Enfield are out of reach of households reliant on benefits to assist in paying their housing costs. This in turn means that we are unable to secure in borough accommodation in the private rented sector. Similar scenarios are playing out across Greater London and are leading to the number of out of borough placements increasing both in terms of number and distance from the host authorities.

Competition for Accommodation

49. There are approximately 25,000 privately rented properties in Enfield. Of these the Council uses around 2000 homes as temporary accommodation. However, we estimate that there are around 3000 private rented properties used by other local authorities within Enfield. There are currently 21 boroughs who are actively procuring in Enfield, and this means that we are effectively competing for available properties.
50. Within Greater London there is an agreement in place to mitigate the effects of this competition. Each borough publishes the maximum rate that it will pay for both temporary accommodation and incentives for privately rented homes. This is administered through the Inter-borough Accommodation Agreement (IBAA). Boroughs make quarterly returns on

the implementation of the agreement. However, other boroughs are not the only organisations procuring in Enfield. In particular, the Home Office is embarked on a large scale procurement programme to rehouse refugees currently in hotels. The contractor, Clearsprings, is not subject to the IBAA and regularly outbids local authorities.

Increased rates for temporary accommodation

51. Given the pan London experience and the risk of further homes being taken out of TA use, London Council's Housing Directors approved an increase of 10% on existing rates. These were to be implemented from 1 March. The effect of this is across Greater London.
52. Enfield Council provides TA to just over 3000 households. There are five main types of accommodation:
- a. 2000 Nightly Paid Properties (NPA) which are procured from private landlords on a night-by-night basis
 - b. 550 leased properties (PSL) that are leased from private landlords with a term of between three and five years
 - c. 600 properties that have been leased from managing agents who in turn have leased the property from a private landlord (PLA)
 - d. Accommodation at Brickfield House and Greenway House. These blocks are owned by Housing Gateway and leased to the Council. There are 124 flats at Brickfield House and 84 flats at Greenway House.
 - e. Commercial hotels and bed and breakfast. These rooms are booked on a nightly basis and are inherently unsuitable for families.
53. The Council procures temporary accommodation through three separate schemes each of which has a different maximum monthly rate. The previous rates are set out below:

Size	NPA	PLA	PSL
1 bed	£1,031.33	£860.00	£900.00
2 bed	£1,274.00	£1,150.00	£1,100.00
3 bed	£1,456.00	£1,375.00	£1,350.00
4 bed	£1,698.67	£1,600.00	£1,575.00
5 bed	£1,971.67	£1,600.00	£1,575.00

54. The arrangements therefore encouraged landlords to contract with the Council on a nightly basis. This option meant that the Council had little longer-term certainty of the accommodation and has led to the growth of NPA at the expense of our arrangements.
55. In implementing the increase in rates, we are changing the balance between NPA and PLA to incentivise landlords to switch to longer term agreements. Maximum NPA rates will be increased by 5% whilst

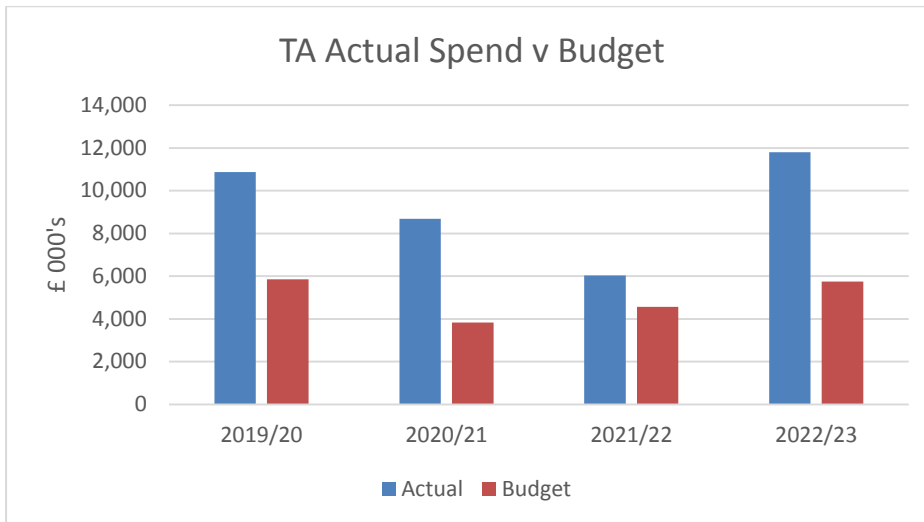
maximum PLA rates will be significantly increased to the equivalent of the old NPA rate plus 10%.

Size	NPA	PLA	PSL
1 bed	£1,031.33	£1134.46	£990.00
2 bed	£1,274.00	£1401.40	£1210.00
3 bed	£1,456.00	£1601.60	£1485.00
4 bed	£1,698.67	£1868.54	£1732.50
5 bed	£1,971.67	£2168.84	£1732.50

56. The aim is to rebalance the portfolio to ensure that we can retain existing properties and procure additional units. Moving towards longer term lease arrangements also has the advantage of providing a level of comfort that the property will continue to be available to us at current prices.
57. We expect the upward pressure on rates for temporary accommodation to continue. This means that it is important to secure properties on a longer-term basis now to protect against future increases.
58. Increasing the rates paid to landlords has a financial impact but is less expensive than the ongoing use of commercial hotels. Without this increase we would lose our existing portfolio of accommodation as other local authorities would be paying a higher rate. The change in rate does not impact on residents living in temporary accommodation as the charges paid by them will not increase. Equally we will always negotiate the best possible rate to minimise the financial impact on the Council whilst ensuring that we are able to secure the property.
59. This increase in rates has already begun to have an impact. In the first week of offering higher payments to landlords eight properties were secured – more than in the whole of December or January.

Finance comments

60. Temporary accommodation (TA) represents one of the four main demand led pressures within local government (the others being Childrens and Adult social care services, and Special Educational Needs). The chart below shows the financial performance of Enfield's TA over the past four years, with 2022/23 being the latest forecast, as we near year-end.



61. The reduction in spend between 2019/20 and 2021/22 was driven first by Covid and then by targeted intervention on the demand side, however the subsequent deterioration of market conditions (supply side) is driving a rebounding budget pressure of £6m in 2022/23 (these points are covered in the main body of the report).
62. The growing use of hotel accommodation for nightly paid accommodation is a key budget pressure within the 2022/23 position. On average, the use of a single hotel room for one year represents £20k more cost than traditional TA options, which in itself is loss making for Enfield.
63. Enfield currently house approximately 200 families in commercial hotel accommodation (such as Travelodge) with a nightly cost per room of c.£100. Larger families often require more than one room. It is likely that the cost of commercial hotel rooms will be higher in the summer months putting further strain on Enfield's finances in the new financial year. The deteriorating market conditions and the inevitable increase in demand we are likely to see over the coming months for TA mean that without further actions, the budget pressure for 2023/24 could well be greater than what we have seen in 2022/23.
64. The increasing challenge of TA is a common trend across London, and is on the agenda of pan London groups such as Society of London Treasurers, and the Housing Director group.

Mitigating Actions

65. In response to the current pressure on the service, we are reviewing our overall approach and piloting new ways of working. Pilots include:
- Creating a Rapid Assessment and Resettlement Hub for families
 - Piloting voluntary resettlement out of London
 - Alternative management arrangements for temporary accommodation to improve the quality and focus of the service
66. We are conscious that none of the potential options available to improve the supply of properties are easy and all carry risks to the Council on both a reputational and financial basis.

Conclusions

The Homelessness Prevention Strategy has successfully supported greater intervention to reduce and minimise the impact of homelessness in the Borough. However, market conditions have changed significantly and the strategy of supporting residents into the private rented sector is challenged by the severe lack of availability of accommodation. A review of the strategy is underway to tackle this.

Report Author: Richard Sorensen
Head of the Housing Advisory Service
richard.sorensen@enfield.gov.uk
0208 132 0663

Date of report 17/03/2023

Appendices

Background Papers

The following documents have been relied on in the preparation of this report:

N/A