

PART 1 - PUBLIC

Decision Maker: **Adult & Community PDS Committee**
Adult & Community Portfolio Holder

Date: **27th September 2011**

Decision Type: Non-Urgent Non-Executive Non-Key

**TITLE: ADDRESSING RISING HOMELESSNESS AND HOUSING
NEED AND ASSOCIATED BUDGETARY PRESSURES**

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Ward: BOROUGHWIDE

1. Reason for report

This report provides an overview of the current housing market supply and need position within Bromley and outlines the initiatives and direction proposed to address the current mismatch between housing need and supply which is resulting in increased usage and cost of temporary accommodation with associated budgetary pressures.

The report details a range of current and proposed initiatives which seek to minimise the use of the more expensive forms of temporary accommodation and thus seek to reduce the projected budget overspend.

The Committee and Portfolio Holder are asked for their views on and support of these initiatives and to recognise that Officers are proposing a general direction and set of initiatives all of which will be used in varying degrees as necessary and thus specific outputs in the report are only for indicative purposes. If any significant variation is likely from any specific initiative or expenditure proposals then the Portfolio Holder will be asked to approve these.

2. RECOMMENDATIONS

2.1 The PDS Committee are asked to :-

- a) Note the position with regards to increasing homelessness and falling supply and associated upward pressures on usage and cost of temporary and emergency accommodation required to fulfil the Council's statutory duties.
- b) Consider, comment on and support the current action being taken and future initiatives being investigated and proposed to maximise the supply of accommodation to address the current shortages and associated budgetary pressures.

2.2 The Portfolio Holder is recommended to:

- a) Consider any comments from the PDS Committee.
- b) Agree the continued strategy and initiatives for 2011/12 as detailed in paragraph 1.18 the range of housing duties and needs in Bromley and to deal with increased pressures on the service and budget.
- c) Approve the pursuance of the proposed initiatives and direction as outlined in paragraph 1.19 and in particular the work around seeking use of empty Council buildings as temporary accommodation and the potential for using other forms of temporary accommodation – e.g. mobile homes,
- d) Approve the proposals for use of Payment in Lieu funds as detailed in paragraph 1.22 aimed at contributing supply options to help address the issues raised in this report.
- e) Note and support the ongoing work the Empty homes Officers to contribute to the supply and help address the budget pressures and for the additional financial benefits as per paragraphs 1.26 to 1.28.
- f) Support the proposal to make a spend to save bid for a person to see through the work on the range of proposals and initiatives on increasing supply to reduce the pressures and spend on Bed & Breakfast accommodation;
- g) Support the proposal to make a bid for LBB capital to ensure sufficient funding for grants to bring empty properties back in to use with the aim of such grants to be in the form of loans to reduce the pressures and spend on Bed & Breakfast accommodation and increase the financial benefit to the Council from the New Homes Bonus.

Corporate Policy

Existing policy:

Financial

1. Estimated cost Current projections show a forecast overspend this year of £200k (£305k full year effect) on the Bed & Breakfast budget. All proposals are aimed to reduce the cost pressures and thus contribute to reducing the overspend. Further detail of a range of proposals is in the report
 2. N/A
 3. Budget head Report relates to entire Housing and Residential Services Division.
 4. Total budget for this head £2,689k latest approved controllable budget
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Staff

1. Number of staff (current and additional) – This report is in relation to the work of the entire current Housing & Residential Services Division and does not involve any additional staffing
 2. If from existing staff resources, number of staff hours – 72.95 FTE posts
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Legal

1. Statutory requirement: The work of the Housing Needs Service is governed by a strict legislative framework in relation to homelessness and allocations (The Housing Act 1996, as amended by the Homelessness Act 2002) which sets out the key duties of the Local Housing Authority. This is accompanied by a Statutory Code of Guidance to which all Authorities must have regard in discharging their functions. This includes the statutory provisions in relation to housing duties towards homeless applicants. The Housing Development Team supports the Housing Needs Service and Social Services and other Departments to fulfil the Council's statutory obligations in relation to preventing homelessness and providing housing.
 2. Call-in is not applicable:
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Customer Impact

Estimated number of users/beneficiaries (current and projected) - 8,000 households on Housing Register with an average of 440 applications received per month. 4000+ households per year approach Housing Advice & Options service of whom around 3,000 face imminent homelessness. During the first half of the current year there has been a 96% increase in the number of households approaching facing imminent homelessness.

1. COMMENTARY

Need:

- 1.1 Increased homelessness prevention and housing options work has achieved a year on year reduction in homeless acceptances and temporary accommodation since 2005. However, in line with concerns raised in the annual and half yearly performance reports to this Committee, the latest statistical reports are now showing significant increases across London as demand continues to rise more steeply and access to accommodation slows up. One of the main concerns is the significant increase in the number of households becoming homeless from the private rented sector (PRS), given the reliance on this sector in achieving the previous reductions in homeless applications and reducing usage of temporary accommodation. Meanwhile, changes to Housing Benefit caps for PRS coupled with more households renting privately due to limited ability currently to get a mortgage to purchase has created additional competition for PRS properties and upward pressure on rents making it increasingly difficult for the Council to obtain the necessary level of supply from this sector.
- 1.2 Since the onset of the recession there has been a marked increase in the number of households presenting in housing need and, in particular, those faced with imminent homelessness. This has culminated in a 96% increase in the number of households applying for assistance under the provisions of the homelessness legislation during the first half of 2011, compared to the same period in 2010.
- 1.3 The main reasons for this are increased homelessness as a result of rent or mortgages arrears, family & friends no longer willing/able to accommodate and loss of private rented sector (prs) accommodation.
- 1.4 The service has also witnessed a 300% increase in new housing register applications, mainly as a result of households' concerns about sustaining or accessing accommodation in the current economic climate. The register now totals more than 8,000 households. It is reasonable to say that a number of households currently in the lower bands may in fact face homelessness in forthcoming years especially as their chances of being housed through the register are between slim and nil.
- 1.5 Current trend analysis suggests that these increases are likely to continue in to the foreseeable future and potentially rise further, particularly when considering future changes to Local Housing Allowance levels (the Housing Benefit cap), mortgage interest rates, household growth, migration – to London as well as outwards from inner London due to changes to the LHA. Meanwhile, the reduction of funding for national mortgage rescue scheme, will significantly reduce the number of successful homeless preventions via this route in future years.

Supply:

- 1.6 Supply of accommodation has dropped across all sectors of the housing market as churn and new build development slows up, the Buy to Let market is – at best – static and other factors and services now focus on keeping people in their homes to receive support services rather than moving to institutional settings.
- 1.7 **Social Housing:** There is a marked decrease in the supply of available social housing units. There is less churn in the stock as fewer tenants are able to access alternative housing such as shared ownership. Also fewer new builds are now coming through and this reduction will be even more acute in the next few years. Similarly other services either keep people in their homes or require units to provide services in community rather than institutional settings.
- 1.8 It is now not uncommon to for only 5 or so properties to be advertised in any one week, often with at least 1/3 of these being sheltered accommodation. Hence the supply of family accommodation is limited. A by product of this is a huge increase in number and officer time spent on MP and Members enquiries on behalf of constituents wanting re/housing and in appeals or review requests of their housing register banding

- 1.9** During 2010/11 there were 282 less units available for letting than the predicted supply. Based upon the lettings figures to date for 2011/12, it would appear that supply is likely to drop by a around a further 180 whole year affect. This obviously creates a silting up of temporary accommodation and actual homelessness when accommodation cannot be secured prior to the loss of existing accommodation. Additional concern is that over this period there has been a reasonable level of new supply through work of the Housing Development staff but recent changes in how development is to be funded and provided and a new bidding round for funds has seen no agreements for new developments to start since March.
- 1.10 *Private rented Sector (PRS):*** Over recent years, critical to the temporary accommodation reduction and homeless prevention work, has been the diversion of households to the PRS. This is now becoming increasingly difficult. The main reasons for this appear to be:
- Landlords finding renting to households from the Council a financially unviable option, in part due to the changes in local housing allowance (LHA), rising costs of maintenance and mortgages
 - Increased competition for private rented accommodation due to difficulty in accessing alternative forms of housing such as owner occupation – effectively pricing low income households out of the market
 - There is also increased concern relating to increased competition from inner London boroughs offering higher incentive levels.
- 1.11** As a result some families prepared to accept PRS as a prevention measure are not being successful and become homeless.
- 1.12 *Temporary Accommodation (TA):*** The Council's leasing providers, Orchard & Shipman, Hyde & Avenue Lettings are experiencing immense difficulty in acquiring new properties to lease despite aggressive marketing and offers to landlords of the highest rates possible within the new LHA levels. Meanwhile, a number of owners are pulling out due to financial difficulties.

Impact:

- 1.13** Consequently, in order to meet the Council's statutory duties to homeless applicants, temporary accommodation and, in particular nightly paid accommodation placements, have been rising by approximately 15 additional placements each month (total placements 169 households in B&B/NPA on 14th September). This is nearly 100 more than March 2011. Behind this figure lies the fact that this is also resulting in the placement of families in temporary accommodation well outside the Borough boundaries and thus away from support networks, work, schools, GPs etc. Unfortunately it has also resulted in at least one occasion when there was no temporary accommodation found for a family of four. A significant increase in staff time is now taken up in simply seeking temporary accommodation.
- 1.14** Whilst Boroughs work together to try and negotiate agreed payment rates, landlords are pushing up their prices aware of the immense demand for accommodation and legislative rehousing duties incumbent on local authorities meaning that, in nearly all cases, accommodation cannot be secured within LHA subsidy rates resulting in increased costs to the Borough.
- 1.15** This picture, repeated across London, has also resulted in either the unit cost of temporary accommodation rising or the fact that the cheaper units are occupied and thus more expensive units are having to be used..
- 1.16** Also worrying is the lack of available supply on a day to day basis and increasing number of homeless households being held off eg: through extensions to possession orders, staying with family/friends, etc., and risk that accommodation cannot be secured resulting in legal challenges.
- 1.17** The table in Appendix A demonstrates the trend analysis as prevention and housing options work has reduced homeless acceptances and temporary accommodation reliance. The chart demonstrates the volatile position and impact upon TA usage until the end of the current year.

(This does not suggest that the problems will not still exist at the end of the year). Based upon current placement and cost trends this position places an unbudgeted additional budget pressure above LHA subsidy rates of £200K for 2011/12 (£305k Full Year Effect). Other London Boroughs are currently reporting pressures and costs far in excess of the position outlined above for LBB.

Actions being taken proposed initiatives being investigated

1.18 The focus on preventing homelessness and diverting to alternative housing options is thoroughly embedded within the service, witnessed by the success rates last year which directly prevented more than 2,000 households from homelessness and assisted in accessing private rented accommodation for more than 700 households. Officers continue to focus on this area of work to maximise the level of prevention & diversion work to minimise the impact of rising demand. Some specific examples of the work currently being undertaken & implemented are:

- Dedicated mortgage rescue officer and bespoke LBB mortgages rescue scheme to maximise prevention of mortgage repossession
- Dedicated private rented sector advice to Landlords and tenants seeking to minimise the impact of LHA changes and eviction due to rent arrears or non renewal of tenancy due to HB levels no longer meeting the amount of rent charged.
- Stringent monitoring of lettings plan further maximising number of lettings to homeless households
- Close working with private landlords to promote access to this sector and established letting schemes
- New leasing scheme provider – Orchard & Shipman pursuing an aggressive advertising campaign to acquire properties both in & outside of the Borough
- Seeking to secure dedicated nightly paid accommodation – seeking additional options to secure in-borough lower rate accommodation via block booking arrangements.
- Extending short term lodging forms of accommodation, in partnership with the South East London Housing Partnership, for young people.
- Commissioning a sub-regional acquisition programme to assist single homeless in to the private rented sector.
- Work with and funding the Credit union to enable recycling of loans and deposits to maximise level of payments and number assisted whilst also helping households save towards their next deposit.

1.19 Proposed additional initiatives and future direction:

- Working up business cases and viability analysis for the use of vacant LBB or health/PCT properties for use as temporary accommodation – e.g. closed nursing homes and LD campus – note this removes any cost of securing properties but also provides the Council with an income whilst also removing the cost of the current placements in Bed & Breakfast above subsidy,
- Incentives to owners to bring empty homes back in to use in return for nomination rights funded out of monies currently available from sub regional funds and a bid for LBB capital funds – additional financial benefits to the Council through New Homes Bonus – see later in report)
- Reviewing private sector schemes: Increasing incentives and the “offer” to landlords, such as insurance scheme, increasing underwritten risk, support services to intervene in tenant/Landlord problems, etc to increase and retain Landlords willing to let to a household put forward by the Council
- Additional court representation to focus on supporting households facing repossession due to mortgage and rent arrears.
- Exploring the potential to utilise properties subject to probate on a short life basis
- Reviewing Supporting People funded provision and hostels to ensure rehousing and through flow assists in move-on from temporary and emergency accommodation.
- The potential for the provision of more new forms of temporary accommodation such as mobile homes and so on
- Reviewing protocols with RSL’s to seek to minimise any homelessness and loss of accommodation from their tenants

Use of Payment in Lieu Funds

- 1.20** Members will be aware from previous reports that the service has available funds obtained from developers through planning applications/permission which are in lieu of affordable housing being provided on particular sites for a range of reasons. These funds can only be spent on the provision of affordable housing.
- 1.21** At present, there is an uncommitted sum of £1.614m in the account. In addition, there are a number of other PiLs which have been secured under planning obligations but not yet received totalling a definite £2.1m. There are triggers for when payments are to be made but the slow down in the new build market is delaying receipt of these payments. However, it is expected that most should be received in the next couple of years.
- 1.22** Officers are currently appraising the feasibility of a range of uses for the uncommitted PiL. By way of this report, we are asking the Portfolio Holder to agree to the proposed options for use of the funds as detailed below and to the exact amount of PIL allocated to each option to be flexibly allocated as opportunities arise and to obtain the maximum output considered best to reduce TA usage.

a) **Street Acquisitions Programme:** Following the success of the previously approved Temporary to Permanent acquisition programme and the Supported Living Initiative, it is proposed to seek support from our Housing Association partners to use PIL and their funding to acquire existing properties within the Borough. This produces the quickest form of additional supply and thus the quickest impact on the current TA and budget pressures. Based on initial modelling, the table below sets out the approximate grant levels required to provide units of different sizes under this proposal:

	2 beds	3 beds	4 beds
Average grant per unit	£40,000	£45,000	£50,000

The amount can vary depending on cost of any necessary works to a property. However, if £1m of PIL was utilised this could provide approximately 20 to 25 units.

b) **Shared Equity Programme:** Viability and process assessments are being worked on for PiL funds to be used to provide assistance for households who want to buy to gain a foot on the housing ladder via a shared equity scheme – particularly those who can obtain a mortgage but do not have sufficient for the deposit required. This would be administered by a the current Housing Association partner who operated a similar programme in another London Borough for a fee per successful unit. The initial target group would be existing social housing tenants, with the aim of freeing up much needed social housing units, particularly larger family units. PIL would take the form of an equity loan to the purchaser, secured as a second charge on the property, linked to value and with the potential for this to be recycled back on any subsequent sale of the property.

The amount can vary but it would not be intended to provide such an equity loan of more than 15% of market value. Inclusive of an administrative fee and costs it is estimated that £250k could produce around 10 properties. This would be more units and in a much shorter time frame than if an equal amount of the PiL was used for a new build shared ownership development.

Empty Homes Work

- 1.23** There are around 1,000 homes in the Borough that have been empty for more than 6 months. In November 2009 the ACS PDS Committee considered and the Portfolio Holder approved an empty property strategy. This has been a feature of the Divisional and Portfolio plans since and work has been successful in bringing 200 properties back in to use in the last 3½ years.

- 1.24** There have been two full time Empty Property Officers (EPO's) since 2006. They are funded by a Government grant – via South East London housing Partnership (SELHP). This is only sufficient to cover their salaries until towards the end of 2012/13 financial year. The funding also covers grants and loans to owners of long term empty property. As loans are repaid in future years they are available for further loans. Proposals for future funding and arrangements for the EPOs will be considered and brought back to PDS/Portfolio Holder at the appropriate time.
- 1.25** Where work with owners has included financial assistance (either grant or loans), owners have been required to provide nomination rights to the Council for a period of 5 years.
- 1.26** There are financial benefits of this work to the ACS Portfolio/Dept and also to the wider Council. These take the form of :-
- Increasing the supply of housing available to meet housing need within the borough,
 - Reducing the use and costs of providing temporary accommodation. B&B cost savings of up to £251 per week can be achieved – see Appendix B,
 - Sourcing properties for special needs groups (e.g. Learning Disability supported living, physical disabilities and mental health service users) resulting in avoiding/saving costs of up to a few hundred pounds per week by avoiding the need for residential care placements.
 - Maximising the number of properties for which full Council Tax is collectable. Discounts apply for empty properties.
 - Ensuring the Council Tax register is up to date. It relies on the owner's notification. The EPO's surveyed 570 privately owned properties believed to have been empty for over a year. 21 were found to be occupied.
- 1.27** There is also a further financial benefit of the empty property work is in relation to the New Homes Bonus introduced by the Coalition Government from this financial year. Under the NHB Councils receive the equivalent of the national average CTax Band D (£1,439 in 2011/12) for each new property built in the Borough. However, long term empty homes are part of the formula for calculating increased supply. The October 2009 numbers of empty homes in each Borough were used as the baseline and any increase in numbers reduced the additional supply figure accordingly and any reduction in empty homes increased the figure.
- 1.28** Consequently, of the NHB the Council received to go in to this year's overall Council budget, the work of the EH Officers resulted in £106,342 awarded due to the reduced number of long term empties. As any NHB is received for 6 years this results in a total of £638k. Bromley received the 12th highest amount in London and 10 Boroughs had a negative figure, five between £168k and £586k pa. Thus EH work has an important role to play not only in creating supply that can reduce use of and budget pressures from temporary accommodation but also in the overall Council finances.
- 1.29** A bid has been made to the HCA for capital funding with or through a Housing Association under a new programme the HCA intends to run. This might also provide a source of some revenue towards the cost of the staff but the programme is currently lacking in sufficient detail to know more about the likelihood of this.

2. POLICY IMPLICATIONS

- 2.1** The Adult & Community Portfolio Plan contains statements of Council policies and objectives in relation to housing and associated matters along with progress that members expect to make during the financial year and beyond. These are compliant with the statutory framework, within which the service must operate and incorporates both national targets and priorities identified from the findings of review, audits and stakeholder consultation.

3. FINANCIAL IMPLICATIONS

- 3.1 This report explains what is causing the current budget pressures on the service which are currently estimated to create an overspend of £200k this year (£305k Full Year Effect). The majority of the prevention and options work, plus some of the associated staff are entirely paid for by Government Grant (totalling £650K for 2011/12 including the LHA mitigation fund). It is currently unknown what level of grant, if any, will be received after the end of the financial year. This work is critical to diverting households from temporary accommodation and minimising associated cost of the Council of placements. Without the current level of grant funding most of the prevention work will have to cease which, because it is more cost effective than the use of temporary accommodation, would result in increased unbudgeted expenditure.
- 3.2 It is imperative that further initiatives outlined in this report are pursued in order to help address the pressures on the Council and budgets. However, it must be noted that even with the work currently planned and continued analysis and pursuance of suitable/viable additional options, with these trends now occurring across London, the financial impact and pressure on accommodation is unlikely to be fully negated and will need carefully monitoring throughout the remainder of the year.
- 3.3 Project Resource – it is proposed to make a bid for LBB Spend to Save funding to provide officer time over the next few months to carry out all the work associated with the range of proposals in this report. Clearly the quicker outputs from any/all are achieved then the sooner the cost pressures can be reduced.
- 3.4 Appendix B shows the current cost to the Council of the various forms of temporary accommodation used. Clearly it is the use of Bed & Breakfast and Nightly Paid Accommodation which creates the main budget pressures. This Appendix also shows the potential income that could be produced for the Council from use of any of its own accommodation – as well as negating the additional cost to the Council from use of bed & breakfast accommodation.
- 3.5 The proposals for use of Payment in Lieu funds are within the terms of usage of such monies and the funds are within the existing capital programme.
- 3.6 In respect of Empty Homes, as at April 2011 there was £207.5k in loans – funded by Government Grant – for previous EP work that will be repaid over the next 5 years. The table below sets out when this should be repaid. The early loans provided were repayable after 5 years, the current ones (and aim for the future) are repayable at one fifth per year over 5 years. Additional loans mentioned above will add to the future year's figures. Money used to finance the Final EDMO was paid back into the budget in 2010/11 and is included. This money is also available for future grants/loans. A small bid for LBB capital will be made to seek to supplement the funding below and on the basis of the financial benefits to the Council outweighing any cost.

Repayment of Loans

Financial year	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Amount due to be repaid	£59500	£36000	£14000	£44000	£54000	£207500

- 3.7 The table below demonstrates additional NHB achievable from specific action and grants/loans. The works on “auditing” the Council Tax list and visits will also provide financial benefit but this has not been included. The figures are also intended to be conservative.

3.8 As can be seen from Appendix B if 10 of these properties were to be used instead of B&B then

	Year 1	Year2	Year3	Year4	Year5	Year 6
Potential NHB						
60 properties back into use in year 1	86k	86k	86k	86k	86k	86k
.Reducing to 40 additional in year 2		57.5k	57.5k	57.5k	57.5k	57.5k
35 in year 3			50.3k	50.3k	50.3k	50.3k
25 year 4				36k	36k	36k
25 year 5					36k	36k
25 year 6						36k
Total NHB	86k	143.5k	193.8k	229.8k	265.8k	301.8k

this would equate to a weekly reduction in the pressure on the B&B budget of up to £1,273

3.9 A sum of £60k is required for the employment, overhead and operating costs of the two Empty Property Officers. This should be able to be funded for the funds already available to and with the Council though the Government grant until towards the end of 2012/13 financial year. Further funding for the staff may be realised if the bid to the HCA is successful. Once the HCA funding position is clearer a spend to save bid may be made for LBB funding based on the financial benefits to the Council of empty homes work as outlined in this report.

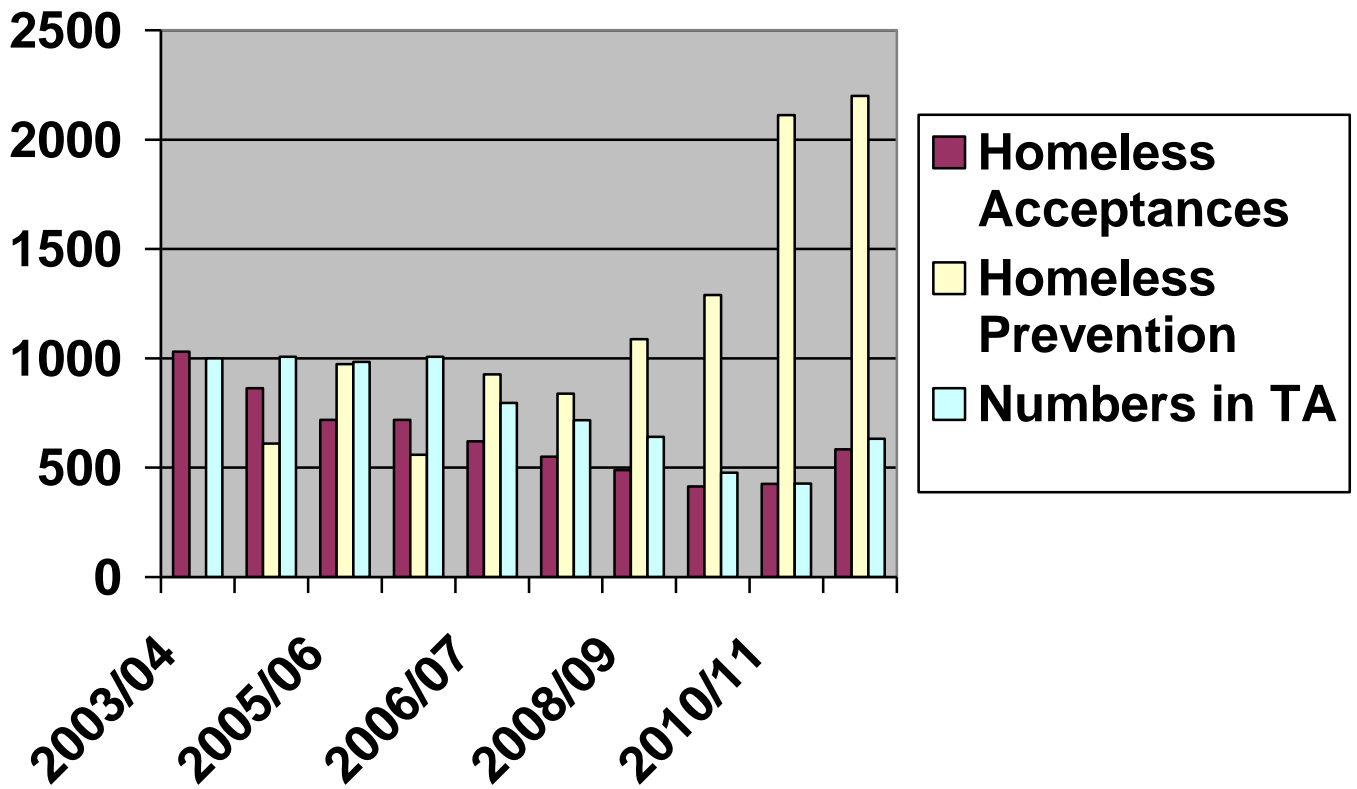
4. LEGAL IMPLICATIONS

4.1 The Council has a number of statutory obligations in relation to housing as listed on page 3 of this report.

4.2 In direct relation to the contents of this report, these include the provision of housing advice and assistance to prevent homelessness or divert from homelessness, assessment of homeless applications, to make temporary and permanent housing provision for those applicants to whom the Council has a statutory rehousing duty, and supporting such households to sustain accommodation.

Non-Applicable Sections:	Personnel
Background Documents: (Access via Contact Officer)	Homelessness Strategy – Sara Bowrey Portfolio Plan 2010/11 – Catriona Ellis Business plan – David Gibson Empty Property Strategy – ACS PDS November 2009

Appendix A



Appendix B

Accommodation Costs:

Weekly charges

	Nightly paid accommodation (average weekly costs apportioned across all placements). Cost to LBB after HB income. £		<ul style="list-style-type: none"> ▪ Housing Association leased (HAL) accommodation ▪ Private sector leasing (PSL) scheme ▪ Temporary accommodation provided via permanent HA stock & hostels 	Discharge of Duty homeless prevention in private rented sector. – one off payments - averages £		Potential weekly per unit income for use of LBB/other existing stock £
	Inner London	Outer London		One off costs	On going costs	
shared accommodation	+13.65	-44.24	0	-75	0	+155.75
self contained 1 bed/studio	-70.05	-103.17	Cost neutral. Charges met through rental stream within LHA subsidy rates.	-150	0	+180.02
self contained 2 bed/studio	-46.53	-127.33		-184	0	+211.35
Self contained 3 bed	-103.24	-243.34	Small financial risk relating to potential abandonment and short term rental loss for PSL scheme	- 207.69	0	+246.66
Self contained 4+ bed	-147.70	-251.54		- 230	0	+310
Notes:	Increasingly availability of accommodation is at higher costs with maximum weekly net costs now exceeding £400 per week for some placements.		Increased difficulty experienced in acquiring units within subsidy rates	Maximum offered equates to four weeks. Majority of units secured via underwritten bond rather than cash incentive. Significant proportion recycled at end of tenancy term.		Potential to also claim additional intensive management/support service charge. Above income would cover management/maintenance costs leaving a balance for an income stream.