

Decision Maker: Executive

For Pre- Decision Scrutiny by the Care Services PDS Committee on
29th October 2013

Date: 20th November 2013

Decision Type: Non-Urgent Executive Non-Key

Title: HOMELESSNESS AND TEMPORARY ACCOMMODATION BUDGET
PRESSURES: HOMELESSNESS (IMPACT OF RECESSION/WELFARE
REFORM) CONTINGENCY PROVISION DRAWDOWN

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Ward: BOROUGHWIDE

1. Reason for report

1.1 To update Members on Homelessness pressures during 2013/14.

1.2 This report also provides a summary of the range of initiatives being pursued to reduce the rising budget pressures wherever possible.

2. **RECOMMENDATIONS**

2.1 The Care Services PDS Committee is asked to consider the content of this report and recommend that the Executive release the £1m set aside in the 2013/14 central contingency.

2.2 The Executive is asked to:

a) Release the £1m set aside in the central contingency for homelessness pressures;

b) Note that additional funding of £1.2m will be included in the 2014/15 draft budget for new cost pressures.

Corporate Policy

1. Policy Status: Existing Policy: Further Details
 2. BBB Priority: Children and Young People Excellent Council Quality Environment Safer Bromley Supporting Independence Not Applicable: Further Details
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Financial

1. Cost of proposal: Estimated Cost No Cost Not Applicable: Further Details
 2. Ongoing costs: Recurring Cost Non-Recurring Cost Not Applicable: Further Details
 3. Budget head/performance centre: Housing Needs
 4. Total current budget for this head: £3,149,930 approved controllable budget for Operational Housing.
 5. Source of funding: Education, Care & Health Services Approved 2012/13 Revenue Budget (supporting people, homelessness & related DCLG grants) PIL fund in relation to property purchase - total uncommitted budget £2.2m with £1m approved committed budget for property purchase.
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Staff

1. Number of staff (current): 57.33 (Housing Needs)
 2. If from existing staff resources, number of staff hours: The report covers the work of the above services, including all staffing resources. No additional staffing resources are required in relation to the content of this report.
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Legal

1. Legal Requirement: Statutory Requirement: Discharge of the statutory functions in relation to housing advice, homelessness and temporary accommodation provision..
 2. Call-in: Applicable:
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Customer Impact

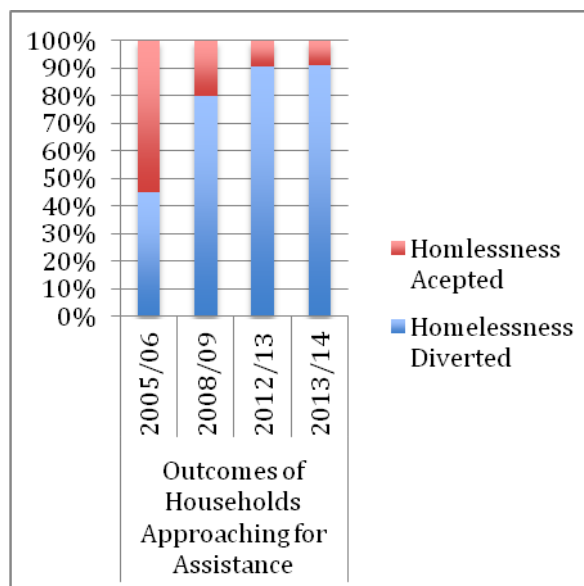
1. Estimated number of users/beneficiaries (current and projected): There are around 1,000 approaches to the housing needs service each month regarding housing related difficulties. Of these around 6,000 households per year present with imminent homelessness which requires in-depth casework intervention to assist in resolving homelessness. There are approximately 850 households placed in temporary accommodation to whom the Council has a statutory rehousing duty under the homeless legislation.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

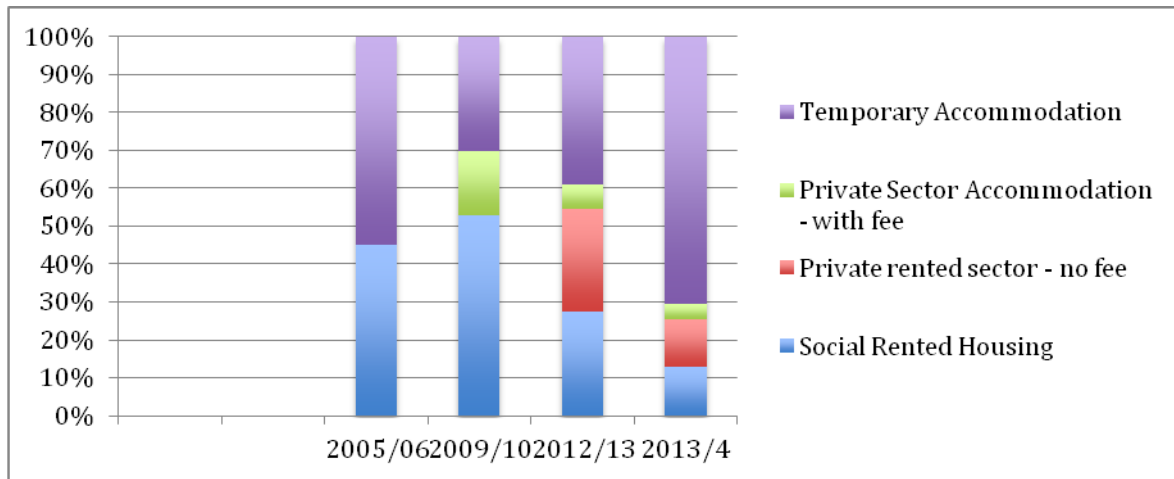
- 3.1 As previously reported, the current pressures can be seen to derive directly from the cumulative impact of welfare reforms in the current economic climate. Since the onset of the recession and welfare reform programme there has been a significant increase in the number of households presenting faced with homelessness. Simultaneously the supply of affordable accommodation, which can be accessed by these households, has reduced across all sectors, and the cost of securing accommodation to meet the council's statutory duties has risen dramatically against the subsidies that can now be claimed. A more detailed analysis of the impact of welfare reform, the current economic and housing climate can be found in Appendix 1 of this report, however in summary, the overall impact has been a shift from a largely cost neutral temporary accommodation (TA) budget position to one where the majority of TA placements can now only be secured on a nightly paid basis (NPA) at a net cost to the council.
- 3.2 The current budget provision is based upon detailed modelling of homelessness, temporary accommodation and affordable housing supply trends. However, it was not possible to predict the full cumulative impact of the latest tranche of welfare reform in the current climate both in terms of housing need and supply. As such officers advised on the volatility of this area and predicted likely future additional budget pressures would be faced. In recognition of this position a £1m central contingency was set aside. Increased client numbers and rising unit costs have been evident throughout the year, showing that these early warnings are now being realised.
- 3.3 The housing needs service seeks wherever possible to prevent homelessness or secure alternative housing options to keep homelessness acceptances and temporary accommodation placements to an absolute minimum. This includes:
- Offering a range of signposting and advice to resolve housing difficulties, which could lead to homelessness if not addressed
 - Proactive specialist homeless prevention intervention
 - Actively pursuing all forms of alternative accommodation, particularly in the private rented sector
 - Ensuring that homeless assessments are robust, focusing on the statutory housing requirements
- 3.4 The vast bulk of this work is funded through the annual DCLG homelessness grant of £500K (currently secured until the end of 2014/5) including:
- Dedicated specialist housing advice, in particular debt, benefit and welfare reform and mortgage rescue/sustaining home ownership advice
 - A range of incentive and rental deposit schemes aimed at increased supply of and access to cost effective temporary accommodation and the private rented sector.
 - Specialist support and accommodation to prevent young people becoming statutorily homeless
 - A range of homeless prevention schemes such as safety measures for victims of domestic violence, homeless prevention grants and loans
 - Work undertaken for robust homeless assessments including medical advice, credit and address checks and reviews
- 3.5 The majority of the homeless prevention and housing options work is grant funded through a homelessness grant. Whilst the homelessness grant funding has largely been secured until April 2015, the longer term future of grant funding is still unclear and, along with the changes to welfare benefits, will require close scrutiny in forthcoming years particularly given the current economic uncertainty and likely increases in homelessness and associated costs. This will be reported to the Portfolio Holder as and when the need arises.
- 3.6 Overall this means that around 90% of those approaching at risk of homelessness are diverted from statutory homelessness and TA. The graph below demonstrates the increasing level of homeless prevention and housing options work which has been undertaken to reduce the number/proportion of homeless acceptance. Overall this work has assisted in directly diverting more than 600 households so far this year away from homelessness and a temporary accommodation placement.



- 3.7 Enhanced initiatives to access additional private rented sector and leasing scheme properties through an Invest to Save agreed in 2011/12 has helped reduce the reliance on nightly paid placements and resulted in reducing full year cost pressures of £600k in 2013/14 which would have otherwise increased the Bed & Breakfast numbers. (These are set out in Appendix 2 of this document)
- 3.8 Despite this level of work, the situation has continued to deteriorate with the number of households in temporary accommodation rising to 850 (which around 40% are placed outside of the borough boundaries) at the end of September 2013, Of these 437 are in nightly paid forms of accommodation, - the area of budget pressure. The current position presents a £1.1m in year budget pressure (£1.6m full year effect) as set out in the table.

Bed & Breakfast					Full Year Effect 2014/15	
Budget Projections based on clients in B&B as at September 2013						
<u>Weekly Cost to LBB</u>	<u>Nos</u>	<u>%</u>	<u>Total</u>	<u>Average</u>	<u>Total</u>	<u>Average</u>
Under £50	96	22%	92,570	891	97,929	1,020
£51 to £100	129	30%	491,616	3,611	514,394	3,987
£101 to £133	66	15%	369,824	5,407	395,740	5,996
£134 to £150	41	9%	276,750	6,455	302,530	7,379
£151 to £200	77	18%	649,834	7,904	683,667	8,879
Above £200	28	6%	296,711	10,258	308,337	11,012
	437	100%	2,177,305	4,982	2,302,597	5,269
Estimated New B&B clients from September - March 2014						
<u>Weekly Cost to LBB</u>	<u>Nos</u>	<u>%</u>	<u>Total</u>	<u>Average</u>	<u>Total</u>	<u>Average</u>
Under £50	22	22%	14,914	678	46,654	2,121
£51 to £100	30	30%	50,466	1,682	156,366	5,212
£101 to £133	15	15%	32,006	2,133	92,035	6,136
£134 to £150	9	9%	22,762	2,529	65,076	7,231
£151 to £200	18	18%	47,189	2,622	163,001	9,056
Above £200	5	6%	17,951	3,590	54,330	10,866
	99	100%	185,288	1,872	577,462	5,833
TOTAL						
<u>Weekly Cost to LBB</u>	<u>Net Cas</u>	<u>%</u>	<u>Total</u>	<u>Average</u>	<u>Total</u>	<u>Average</u>
Under £50	118	22%	107,484	911	144,583	1,225
£51 to £100	159	30%	542,082	3,409	670,760	4,219
£101 to £133	81	15%	401,830	4,961	487,775	6,022
£134 to £150	50	9%	299,512	5,990	367,606	7,352
£151 to £200	95	18%	697,023	7,337	846,668	8,912
Above £200	33	6%	314,662	9,535	362,667	10,990
Total Forecast	536	100%	2,362,593	4,408	2,880,059	5,373
Less Net Budget			1,260,780		1,260,780	
Forecast Overspend			1,101,813		1,619,279	

- 3.9 The table provides a visual demonstration of how the legislative changes and market shifts have impacted upon the ability to secure housing for statutory homeless households increasing the reliance on temporary accommodation leading to the budget pressures now being faced:



- 3.9 In the light of the diversion and avoidance work undertaken, and also in the context of the continuing pressures, Members are now asked to approve the release of the £1m contingency budget and also to consider the implications of the new housing market projections and future changes to legislation including the introduction of universal credit in relation to the continued decline in supply and levels of homelessness.
- 3.10 The projections below assume that current levels of intervention and funding for those initiatives as set out above continues and that lettings to housing association stock (which have reduced significantly in recent years) remain relatively steady. The model does also take into account the estimated impact of the current trends relating to housing need, supply and market conditions together with the introduction of universal credit. These projections show the number of households in NPA rising to 968 by the end of 2015/16. It is the opinion of Officers, it is impossible to predict demand beyond this point.
- 3.11 It must further be noted that any further increase in demand or reduction in the current prevention and housing options work or lettings supply would have a further significant impact on the level of NPA pressure.
- 3.12 The table below provides officers best guesstimate of homeless numbers moving forward over the next three years

	2014/15 Pressures £'000	2015/16 Pressures £'000	2016/17 Pressures £'000
Full Year cost pressures following through into 2014/15 (overspend based on September projections)	1,619	1,619	1,619
16 New B&B Placements (April 14 - March 15) (based on average cost of £6,500 per placement)	624	1,248	1,248
20 New B&B Placements (April 15 - March 16) (based on average cost of £8,000 per placement)		960	1,920
	2,243	3,827	4,787
Less Sum in the Central Contingency	1,000	1,000	1,000
Future Growth Pressures	1,243	2,827	3,787

3.13 Given the significant pressures on homelessness over the next three years this will need to be monitored closely, so regular reports will need to be taken back to PDS and the Executive on the progress being made.

Mitigation

3.14 Placements into Nightly paid accommodation have been split into a series of pricing bands to enable prioritisation for move-on or diversion from a NPA placements for those households either already in, or likely to go into one of the more costly placement bands. Simultaneously work is being undertaken to continue to try and drive down nightly rates to reduce the number of more costly placements.

3.15 A number of actions are now presented for consideration and approval. These have the potential to significantly reduce the rising pressure on future budgets, although uncertainties surrounding housing values, rental prices, and the impact of welfare reform make the exact level of reduction hard to predict with any certainty. Appendix 1 provides a breakdown by scheme setting out the number of units anticipated to be achieved up until April 2016, based on current pipeline schemes and the current capacity given market dynamics as set out in this report. At this stage, predictions after this date becoming increasingly unclear, both in terms of how the market may change but also due to the uncertainty regarding future funding levels, universal credit roll out and so on.

Weekly net cost	Client Groups	Options that LBB need to manage these	
<u>Band A</u> 0-£50	Predominantly single people. Single move on is available within reasonable timescales.	At this stage no additional action is proposed due to the relatively low cost and lack of more cost effective options. In many cases the lower rates have been secured on the trial block booking arrangements which we would hope to be able to roll out to other providers. Move-on will take placement through the normal lettings routes and on-going encouragement to take up private sector alternatives.	Across all bands: <ul style="list-style-type: none"> On-going market testing to attract landlords and agents offering more competitive prices. This includes continuing to encourage regional approaches to driving down prices and the potential for dynamic purchasing arrangements. Offering block booking/guaranteed terms to NPA providers in return for reduced nightly rates. Offering all homeless households the option to secure lower cost accommodation outside of the
<u>Band B</u> £50 – 100	Mainly single people or pregnant with no other dependants.		
<u>Bands C & D</u> £101-£150	2 and 3 bed families, with the majority being 2 bed households.	The focus for funding and schemes placed on those above £133 p.w Prioritised by cost (although with some schemes this will also relate to size of accommodation acquired/any specific needs)	
<u>Band E:</u> £151-200	2 and 3 bedroom families. Predominately the higher cost relates to the level of demand for this type of accommodation. This band is the priority focus for the enhanced incentives to acquire additional leasing and private rented units.	<ul style="list-style-type: none"> Enhanced incentives to enable access to privately rented accommodation. This includes a flexible package of incentives & terms including long and short term lets, deposits/guarantees, rent in advance, incentives for longer tenancies or multiple properties, financial assistance for small works etc to enable the property to be let. Ongoing tenancy support & advice. Access to the private sector covers both in and out of borough. There may be some additional incentive offered for Band E where the household requires specific accommodation or a time limited additional top-up to move due to the benefit cap. Private Sector Leasing: properties are leased and managed by one of our partner provider for use as temporary accommodation. The enhanced incentives offers, flexible leasing terms, financial assistance for small works, 'finder's fee', rental guarantee, flexible lease terms. The scheme is also seeking a number of units (within the legislative parameters outside of the borough). Incentives can vary, averaging £1,000 per property where the cash 	

		<p>intervention is required.</p> <ul style="list-style-type: none"> • Refurbishment of vacant properties: such as Bellegrave. Refurbishment and use of vacant properties as temporary accommodation – this could be as short-term 'hostel' style accommodation, or self-contained units. Units to be managed by our leasing partner. Such schemes not only generate a saving against NPA costs, but also produce a rental stream to assist in managing the homelessness pressures. The cost relates to refurbishment work which can be repaid through the rental stream where required. • LBB Property purchase: purchasing properties for use as temporary accommodation through the payment in lieu fund. Managed by our leasing scheme partner. • Leasing scheme property purchase: Working with our leasing scheme provider to acquire private finance for property purchase for use as temporary accommodation. No outlay required by the council. Nomination rights are provided in return for guaranteed nominations to vacant properties and a time limited guarantee for any rental shortfall resulting from TA subsidy or benefits changes making the scheme unviable. The underwriting allows for the scheme to then be restructured under any new arrangements 	area
<u>Band E Above £200</u>	These are the highest cost placements. Predominately larger families, often with limited move on options as they are affected by the benefit cap. This process banding also includes a number of households with specialist needs requiring bespoke move-on options to be put in place.	In addition to the leasing and private sector arrangements above, many of this cohort require dedicated bespoke move-on planning due to the specific accommodation required either due to size, location or physical needs. The level of incentive required will be dependent upon the level of need & cost of the individual placement.	
<p>NB: Location. Whilst having due regard for the legislation relating to the suitability of accommodation in terms of location the above schemes seek to access all available local accommodation but also recognise that the need to seek accommodation further afield to enable not only the level of housing need to be met, but also that for some households this may be the only viable option given the impact of welfare reform. In all cases any placements outside of the area will be negotiated in compliance with the statutory duty and ensuring that the necessary risk assessments in terms of safeguarding, education and so on are in place,</p>			

3.16 Appendix 1 identifies the demand that will be required for different property types over the next three years (based on the rent bandings) and what this shows is that there will be a shortfall in properties against demand of 564 as follows:-

	<u>Demand</u>	<u>Available Properties Identified</u>	<u>Shortfall</u>
2013/14	536	-62	
2014/15	192	-216	
2015/16	240	-126	
	<u>968</u>	<u>-404</u>	<u>564</u>

- 3.17 A strategy will need to be developed by the Director on how the Council will meet this projected demand going forward as a matter of urgency. A report will come back to members on this in January 2014 alongside the performance monitoring against current actions

The main barriers which could prevent achievement of the above

- 3.18 It must be noted that the current market conditions alongside welfare reform present a number of challenges to achieving the above actions and limit considerably the potential capacity of leasing and private rental schemes:
- Spiraling private rental prices against the restrictive local housing allowance and temporary accommodation subsidies available mean that current private rent and leasing schemes are increasingly unable to compete in the market with an increasing shortfall against market rental prices. Thus reducing the supply of accommodation accessed through these routes. The above can affect accommodation both in the borough and outside, as whilst rental prices may be less, the LHA is also proportionately less still leaving a shortfall.
 - Without a shift in the market and new schemes there is limited housing supply in both the social and private rented sectors to accommodate more than a relatively small number of those households who are accommodated in nightly paid accommodation at any one time.
 - Given the current levels of homelessness, even if it were possible to move all of the households currently housed in nightly paid accommodation into cheaper alternatives, without the on-going prevention and housing options work, it would not take long for numbers to return to their current levels and at a potentially higher cost.
 - There is limited housing supply in both the social and private rented sectors to accommodate more than a relatively small number of those households who are accommodated in nightly paid accommodation at any one time. Access is becoming more restrictive across both sectors
 - Uncertainty regarding future grant funding and ability to continue to fund the homelessness prevention and alternative option schemes
 - Uncertainty regarding the future of temporary accommodation subsidy with potential changes making a number of the above scheme unviable
 - Withdrawal of leasing scheme partners as schemes become less financially viable with restricted rents, no direct payments and spiraling private rental prices.
 - Competition from other boroughs who have higher funding levels, particularly when seeking accommodation outside of the borough boundaries.

Impact and future strategy:

- 3.19 Whilst the actions set out in relation to homeless prevention and securing alternative housing options can significantly contain future cost pressures, market and legislative forces are currently restricting the potential capacity for schemes to fully address current pressures, at best serving to maintain a largely static position against the current level of budget pressure being experienced which will be carried forward into future years.
- 3.20 Ongoing work will be done to ensure that the schemes set out, particularly in relation to homeless prevention and access to private rented and leased accommodation achieve the optimal outcomes within the current market. This work will include close scrutiny of all schemes to tailor to the main causes of homelessness and to attract private landlords to offer accommodation to this client group. This work will also include analysis across the region of the market capacity and any additional incentives that can be offered to divert away from costly NPA accommodation, whilst being mindful not to serve to adversely inflate the market further.
- 3.21 However, In the absence of any imminent significant market shift, given the level of need, against the availability of private rented and temporary accommodation at affordable levels, to achieve any significant level of reduction would require schemes yielding higher numbers of accommodation at more affordable levels (either for the tenant or in terms of the subsidy that needs to be paid for TA).

This requires a clear strategic approach to maximising access to all forms of accommodation and including further areas for consideration including:

- Analysis of all vacant units to assess the potential for use as temporary accommodation – this may include some vacant commercial/retail units as well as residential units
- Working with private developers to encourage private rented sector development at an affordable level
- Working with our partner housing providers to ensure sufficient affordable housing supply, targeted at the key categories in relation to the budget pressure
- Working with housing providers in the area to ensure best use of stock including mobility schemes which may assist in freeing up existing stock for emerging housing need.
- Working with housing associations to encourage the necessary support and processes of their tenants to minimize the potential level of homelessness arising from welfare reform changes.
- Options for location and extend of supply.

4. POLICY IMPLICATIONS

- 4.1 The housing objectives are set out in the relevant business plans. These objectives are compliant with the statutory framework within which the Council’s housing function must operate and incorporates both national targets and priorities identified from the findings of review, audits and stakeholder consultation.
- 4.2 The above actions are in line with the agreed policies in relation to homeless prevention, temporary accommodation and housing options schemes as set out in the homelessness and associated strategies. Any updated actions or proposals for policy review required to achieve the necessary outcome so reducing homelessness and temporary accommodation will be reported and considered by Members as required.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial implications are contained within the body of the report

6. LEGAL IMPLICATIONS

- 6.1 The Council has a number of statutory obligations in relation to housing. 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; supporting such households to sustain accommodation; to have a published Allocations Scheme, a Housing and Homelessness Strategy and a Tenancy Strategy.
- 6.2 All proposals within this report comply with the council’s statutory duties in relation to homelessness.

Non-Applicable Sections:	Personnel
Background Documents: (Access via Contact Officer)	LB Bromley Homelessness Strategy 2012 – 2017 Addressing rising homelessness and housing need and associated budgetary pressures (ACS11053)