

Report No.

## London Borough of Bromley

### PART ONE - PUBLIC

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**Decision Maker:** EXECUTIVE

**Date:** For Pre-Decision Scrutiny by the Care Services Policy Development and Scrutiny Committee on 2 October 2014

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

**Title:** HOMELESSNESS AND WELFARE REFORM DRAWDOWN FROM CENTRAL CONTINGENCY

**Contact Officer:** Terry Parkin, Executive Director, Education, Care & Health Services  
Tel: 020 8313 4060 E-mail: Terry.Parkin@bromley.gov.uk

**Chief Officer:** Executive Director of Education, Care & Health Services

**Ward:** (All Wards);

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1. Reason for report

- 1.1 To update Members on homelessness pressures during 2014.
  - 1.2 To request drawdown of £653,000 from the £1.2m held in the central contingency for homelessness and welfare reform pressures as identified in in paragraph 3.13.
  - 1.3 The report also provides a summary of the challenges being faced in relation to homelessness and temporary accommodation and the range of initiatives being pursued to reduce the rising budget pressures wherever possible.
  - 1.4 To note that formal consultation is now commencing on proposed revisions to the allocations scheme included within the range of initiatives. Following consultation a further report will be presented for formal consideration and approval of the revisions.
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2. **RECOMMENDATION(S)**

- 2.1 **The Care Services Policy, Development and Scrutiny Committee are asked to consider the content of this report and recommend that the Executive release £653,000 of contingency set aside in the 2014/15 central contingency.**
- 2.2 **The Executive is asked to:**
  - a) **Release £653,000 set aside in the central contingency for homelessness and welfare pressures,**

- b) Note the current pressures being faced, support the mitigating actions underway and consider the likely budget impact going forward.**

## Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Children and Young People Excellent Council Quality Environment Safer Bromley Supporting Independence
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## Financial

1. Cost of proposal: : Further Details
  2. Ongoing costs: : Further Details
  3. Budget head/performance centre: Housing Needs – temporary accommodation provision
  4. Total current budget for this head: £4,576,710 approved controllable budget for operational housing.
  5. Source of funding: Education, Care & Health Services Approved 2014/15 Revenue Budget. Payment in Lieu fund in relation to property purchase and new affordable housing schemes – total uncommitted budget £3.36m.
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## Staff

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours:
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## Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 6,000 households approach each year at risk of homelessness. There are currently around 900 households in temporary accommodation to whom the Council owes a statutory duty, of which 480 are in costly forms of nightly paid accommodation.
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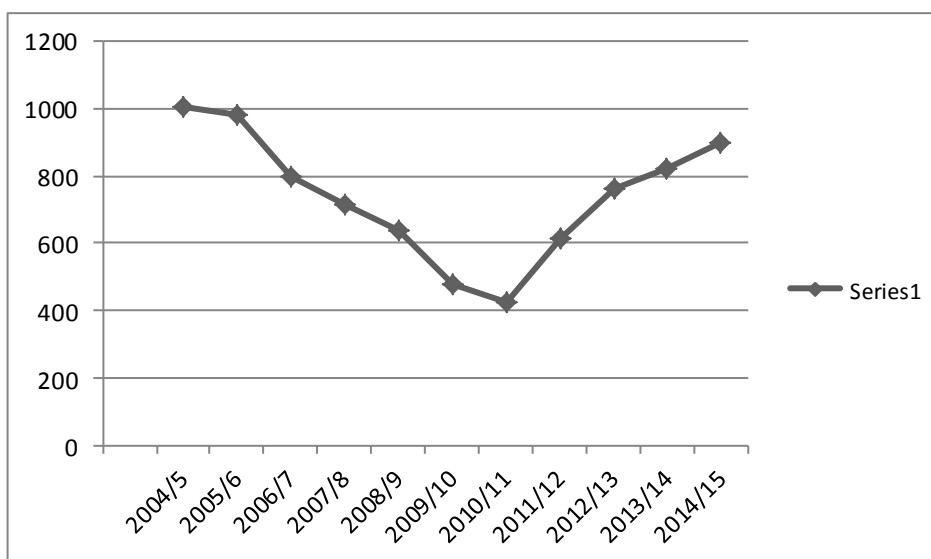
## Ward Councillor Views

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

### 3. COMMENTARY

- 3.1 Homeless applications and the numbers in temporary accommodation began to reduce in 2006 when the Council first implemented its homeless prevention strategy to provide specialist housing advice and assistance to prevent homelessness or assist in securing alternative accommodation in the private rented sector in the event homelessness cannot be prevented.
- 3.2 The success of this approach achieved more than a 60% reduction in homelessness and temporary accommodation use between 2006 and 2011. However this downward trend in homelessness and temporary accommodation use was reversed in 2011/12 due to the combined impact of the first tranche of welfare reform when the housing benefit local housing allowance (LHA) was reduced by setting it at a lower proportion of the market rent (30% as opposed to 50% quartile) and the recession.

Households In Temporary Accommodation 2004 – August 2014



- 3.3 The combination of the capping of LHA rates, implementation of the overall benefit cap, bedroom size criteria and the reduced housing benefit subsidy level for temporary accommodation has meant that renting to recipients of housing benefit or leasing accommodation to housing providers as temporary accommodation provision has largely become an unattractive option for private landlords as the gap between housing benefit/ temporary accommodation subsidy levels and market rents widen.
- 3.4 This has significantly reduced access to the private rented sector for low income/benefit dependent households or for use by the Council in discharge of its statutory homelessness duty or as temporary accommodation. There is also a rise in the number of private sector evictions (now accounting for more around 40% of all homeless approaches) leading to a fall in the number of affordable properties that are available in the private sector, overall leading to a dramatic increase in the use of temporary accommodation for homeless households.
- 3.5 The increase in private sector evictions, homelessness and temporary accommodation use has been London-wide and has resulted in a ripple effect as inner London authorities procure private sector accommodation in cheaper areas of London, forcing other London authorities to seek alternative accommodation outside of their borough and outside of London. For Bromley this means that currently 50% of temporary accommodation placements are outside of the borough.

3.6 Increased homelessness and reduced supply both through the private sector and housing association lets against an overheated private sector housing market has meant that an increasing number of housing providers are now only willing to enter into costly nightly paid arrangements. This has moved the Council from a largely cost neutral position for the provision of temporary accommodation to one where the Council effectively has to top up the difference between housing benefit and market rents creating a net cost for each placement.

Average Nightly Paid Accommodation Costs					
	Average of 2014/15 Charge to Landlord	Average of 2014/15 Total Subsidy Claimed	Average of 2014/15 Total Personal Charge*	Average of Total Cost to LBB	Average of Total Cost to LBB 2013
Room	10,775.44	8,556.78	840.34	1,378.32	1,279.72
Studio	13,659.18	10,243.34	0.00	3,415.84	3,224
1 Bed	15,527.80	10,048.48	0.00	5,479.32	5,040.36
2 Bed	18,360.49	11,860.64	0.00	6,499.84	6,333.08
3 Bed	22,891.00	13,701.13	0.00	9,189.87	
4 Bed	30,090.00	15,678.66	0.00	14,411.34	8,717.28

\* Personal charges are only applicable to shared room only accommodation to cover the cost of inclusive utilities

3.7 Between 2011 and 2014 the number of statutory homeless households placed in temporary accommodation has therefore risen from 414 to 898. As the cumulative impact of welfare reform starts to be felt the numbers are currently increasing by on average 16 per month. Overall taking account of the makeup of current placements the overall average annual net cost per household is approximately £6,500.

3.8 The rising cost to the Council of meeting statutory rehousing duties has been regularly reported through the PDS Committee and Executive, setting out the detailed trend and market analysis warning of the likely increase in cost pressures. This resulted in the sum of £1.2m being held in the central contingency to meet any cost pressures arising.

3.9 The continued focus on homeless prevention and housing options work has continued to help to contain pressures by diverting around 90% of all initial approaches, but simply cannot fully mitigate the pressures arising due to the current housing market and welfare reform.

3.10 Additional one off Government grants totalling £166K have also been received to assist in mitigating the growing impact of welfare reform. This has enabled a dedicated service to be set up to work alongside the DWP and housing associations to assist those affected by the welfare reforms to access more affordable accommodation, employment and so forth. To date more than 200 households have been assisted to resolve potential homelessness.

3.11 As such the level of statutory homelessness against available housing supply and continued rising costs have been evident throughout the year, showing that these warnings are now being realised. The latest projections based on July monitoring and activity assumes additional cost pressures of £653k in year and £1.122m following through into next year as a full year effect.

3.12 Members are therefore now asked to approve the release of the £653k held in the central contingency and also to note the projected pressures for 2015 and beyond. The draw down has been assumed in the budget monitoring report.

3.13 The projections below assume that current levels of intervention and lettings will continued to be achieved. Whilst the model does allow for a level of increased demand resulting from future stages of welfare reform, it must be noted that any further increase in demand or reduction in either the level of prevention work able to be achieved or supply of housing association lettings would have a further significant impact upon the level and cost of temporary accommodation. Overall these projections show that, despite the prevention and housing options work being undertaken, the number of households in nightly paid accommodation could rise to nearly 1,000 by the end of 2015/6. At this stage predictions after this point become increasingly unclear in terms of how the market may change, future levels of funding, the impact of universal credit and so forth.

3.14 The table below shows the funding held in contingency over the next three years.

	<u>2014/15</u> <u>£'000</u>	<u>2015/16</u> <u>£'000</u>	<u>2016/17</u> <u>£'000</u>
Central Contingency	£1,200	£2,800	£3,800
Overspend in B&B Placements	-£653	-£653	-£653
Central contingency remaining	<u>£547</u>	<u>£2,147</u>	<u>£3,147</u>

As you can see from the table above, the drawdown of £653,000 in 2014/15 to fund in year pressures will leave £547k remaining in the central contingency and a further £2.6m in further years

### **Mitigating Actions**

3.15 Appendix 1 provides a headline summary of the key actions being undertaken to try and mitigate against these rising cost pressures focused on homeless prevention driving down nightly paid costs and accessing a more cost effective supply of accommodation prioritising the higher cost placements.

3.16 It must however be noted that the current market and impact of welfare reform presents a number of challenges limiting the overall impact of these actions and as such, whilst the actions in place to maximise the level of homeless prevention and access to alternative housing options including more cost effective temporary accommodation can significantly contain future costs pressures, the market and legislative forces are currently restricting the potential of such initiatives 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.

3.17 Ongoing work will be undertaken to ensure that the priority actions, particularly in relation to homeless prevention and access to private rented and leased accommodation achieve the optimal outcomes possible within the current market. The work will include close scrutiny of all schemes to ensure these are tailored to tackle the main causes of homelessness and offer the greatest incentives to secure accommodation. This work also includes ongoing pan London and sub-regional working to procure accommodation and seek to drive down the increasing costs of nightly paid accommodation, whilst being mindful not to adversely inflate the market further.

3.18 Appendix 2 sets out the key proposed revisions for the allocations scheme which have been designed in light of the current pressures being faced against the supply of accommodation

becoming available building on the 2011 review which reduced the number on the housing register by around 60%.

- 3.19 In considering the proposed revisions it must be noted that the allocations scheme cannot supersede the homelessness legislation, however the proposed revisions would assist by providing additional control to manage high cost temporary accommodation placements. They would also more clearly manage expectations in terms of discharge of the homelessness duty into the private rented sector.
- 3.20 The proposed revisions will now be subject to statutory consultation, following which a further report will be presented full consideration and approval of the revisions.

#### **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 the 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 will be reported and considered by Members as required.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 The financial implications are considered within the body of this report.

#### **6. LEGAL IMPLICATIONS**

- 6.1 The Council has 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 available for those applicants to whom the Council has a statutory 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.

#### **7. PERSONNEL IMPLICATIONS**

- 7.1 Resources with the Housing Needs Division have been deployed to support the initiatives and approaches set out in this report to meet the Council’s statutory homelessness duties. This deployment will be adjusted as necessary to seek to ensure statutory duties are met and homeless prevention is maximised.

<b>Non-Applicable Sections:</b>	
Background Documents: (Access via Contact Officer)	LB Bromley Homelessness Strategy 2012 – 2017 LB Bromley Tenancy Strategy 2013 LB Bromley Unitary Development Plan 2006 LB Bromley Affordable Housing Supplementary Planning Document 2008 Renewal & Recreation Portfolio 2013-14 Business Plan

	<p>EC&amp;HS Department 2013-14 Portfolio Plan Allocation of Affordable Housing PIL Funds – Care Services Committee, 4<sup>th</sup> September 2012 Payment in Lieu: Framework and Allocation Process (6<sup>th</sup> February 2013, Executive Committee) Affordable Housing PIL Fund: Capital Funding Bid- 13<sup>th</sup> March 2013, Executive Committee Residential Property Acquisitions: Capital Funding Proposal- 24<sup>th</sup> July 2013, Executive Committee: Addressing Rising Homelessness and Housing Need and Associated Budgetary Pressures (ACS11053) EC&amp;HS PDS and Executive report October 2013 – Homelessness pressures and contingency draw down.</p>
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