

Decision Maker: **Executive**

For Pre-Decision Scrutiny by Care Services PDS Committee on:

Date: **17 November 2015**

Decision Type: Non-Urgent Executive Non-Key

Title: **DRAWDOWN ON THE HOMELESS CONTINGENCY NEEDS GRANT**

Contact Officer: Sara Bowrey, Assistant Director: Housing Needs
Tel: 020 8313 4013 E-mail: sara.bowrey@bromley.gov.uk

Chief Officer: Assistant Director: Housing Needs (ECHS)

Ward: (All Wards);

1. Reason for report

- 1.1 To update Members on homelessness pressures during 2015 and the range of initiatives being undertaken to try and reduce the rising budget pressures wherever possible.
- 1.2 To request drawdown of the £649k held in central contingency for homelessness and welfare reform pressures.

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 £649k of the contingency set aside to offset the current temporary accommodation budget pressures being experienced.**
- 2.2 **The Executive is asked to:**
 - **Release £649k set aside in the central contingency for homelessness and welfare reform pressures.**
 - **Note the current pressures being faced, mitigating actions underway and the likely budget impact going forward.**

Corporate Policy

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

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Temporary Accommodation
 4. Total current budget for this head: £3,402,800
 5. Source of funding: EC&HS Approved 2015/16 revenue budget.
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Staff

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

Legal

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

Estimated number of users/beneficiaries (current and projected): More than 5,500 households approach at risk of homelessness each year. There are currently 1097 homeless households in temporary accommodation to whom the Council owes a statutory duty, of which 683 are in costly forms of nightly paid accommodation.

Ward Councillor Views

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

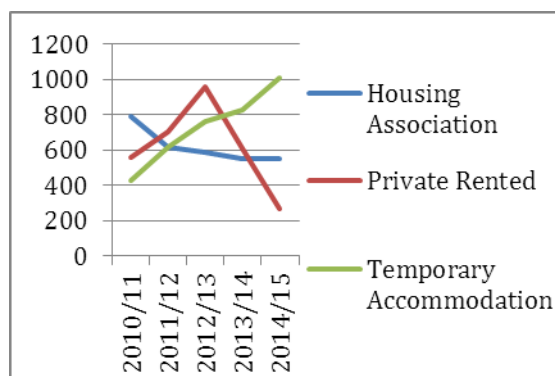
3. COMMENTARY

- 3.1 The significant gap between the need for housing that is affordable and the available supply of both social housing and affordable rented accommodation continues to increase.
- 3.2 The Council's focus on housing advice and homeless prevention means that the Council successfully diverts around 90% of those approaching as at risk of homelessness away from statutory homelessness. A range of housing advice and early intervention is offered including:
- Landlord and tenancy advice and relations
 - Tenancy support and sustainment – resilience training
 - Access to employment and training
 - Debt, money, budgeting and welfare benefits advice
 - Family mediation and reconciliation to remain with family and friends
 - Assistance to resolve rent and mortgage arrears
 - Sanctuary scheme for the protection of victims of domestic violence
 - Assistance (including financial aid) to access the private rented sector
 - Assistance to access hostels, supported accommodation, home ownership
 - Legal advocacy and negotiation to prevent eviction/loss of current accommodation.
- 3.3 The work directly reduces the number of households who would otherwise require placement into temporary accommodation. Had this work not been undertaken the full year net cost to the Council of placing those households where homelessness was directly prevented into temporary accommodation would have been approximately £8.4m.
- 3.4 The number of approaches however is increasing due in the main to such things as the rising cost of accommodation and welfare reform. 44% of homeless approaches are now from households who are facing eviction from the private rented sector, typically because of arrears brought about through low incomes and the increasing gap between local housing allowance and market rents.

Housing Market and Accommodation Supply:

- 3.5 Over the last 5 years the maximum temporary accommodation rent that Bromley has been able to pay per property has been effectively frozen and the housing allowance has reduced. Meanwhile rents in the borough have increased dramatically. In the last 2 years local rents have increased by 20% and house prices by 27.6%.
- 3.6 There is now an increasing gap between the rental income that a landlord can achieve on the private rented market and the amount that can be paid through local housing allowance to temporary accommodation subsidy. For a 2 bedroom property this gap is often in excess of £90 per week.
- 3.7 It is predominantly this affordability gap that has led to increasing numbers of people coming to the council as potentially homeless because of low income and/or capped benefits. As a result our previous success in preventing homelessness and reducing reliance on temporary accommodation are being rapidly reversed.
- 3.8 A similar picture in terms of this affordability gap can be seen in neighbouring Lewisham and Croydon, and the picture is not significantly different in many parts of the South East such as such as Dartford or Chatham.

- 3.9 As the temporary accommodation subsidy arrangements have not kept pace with the private rented market, our temporary accommodation leasing providers report it increasingly hard to secure new and retain existing leased accommodation even with enhanced incentives to attract landlords.
- 3.10 Large numbers of properties are now only being let on a more expensive nightly-paid basis and since 2011 we have seen a 700% increase in this type of letting (85% of which is out of borough), which adds a large percentage to the cost borne by the council in accommodating families for whom we have a statutory duty (particularly factoring in increased admin costs and the costs of storing family possessions when they are housed in shared housing).
- 3.11 Nightly rates are market-driven and whilst fixed rates have been informally negotiated with many providers and work is undertaken on a pan-London basis to try and drive down rates. Market pressures increasingly mean that higher rates have to be paid with an increasing net cost to the Council
- 3.12 At the same time that both low income families and the council itself are being priced out of the local private rented sector the number of housing association lettings are falling year on year both in terms of re-lets and reduced supply of new build properties.
- 3.13 This disparity in supply and demand has directly led to a 150% increase in the use of TA since 2011 (427 households up to 1097 of September 2015).
- 3.14 As this chart below shows, the reduction in access to private accommodation because of increasing market rents and house prices has been made worse by a decrease in housing association new-builds and re-lets directly resulting in an increase in temporary accommodation use to meet statutory housing need.



- 3.15 Temporary accommodation provision is kept under continuous to review in order to try and increase the supply of accommodation to meet the level of statutory need whilst achieving best value:
- 3.16 Work with nightly paid providers during the first half of 2015/16 has secured 4 block booking arrangements with an annual savings of £67,110.70 against the current average costs of night paid provision.
- 3.17 The refurbishment of Manorfields, a former residential home to create an additional 45 units of temporary accommodation will achieve a full year saving in the region of £264K based on the comparative current average nightly paid accommodation costs for this number of households.

Current Budget Position and Contingency Drawdown

- 3.18 The above factors mean that the total number of households in temporary accommodation is now just under 1,100 (excluding those placed into supported accommodation as part of a homeless rehousing pathway) with an average net increase of 15 households per month. With supply and alternative housing options limited the increasing numbers are currently being met almost exclusively through nightly let and bed and breakfast arrangements. This currently accounts for 683 of the current temporary accommodation placements.
- 3.19 Although pan-London agreements have been made to try and control nightly paid rates, demand is still outstripping supply, which is forcing prices up. Even with the growth in the sector we still often struggle to find places and are increasingly forced to rely on expensive commercial hotels to meet our legal duty.

Average costs of nightly let and bed and breakfast temporary accommodation

	Average Annual Cost of Shared Accommodation			
	Landlord Charge	Rent to tenant/HB Subsidy	Utilities/Personal Charge	Cost to LBB
Family in Single Room	11,613.47	8,883.70	839.45	1,896.88
Family in Two Rooms	21,535.00	8,572.03	1,605.91	11,356.98
Studio	12,430.62	9,966.57	0.00	2,464.05
1 Bed	15,040.97	9,628.17	0.00	5,412.80
2 Bed	18,222.82	11,158.15	0.00	7,064.66
3 Bed	21,701.00	12,532.06	0.00	9,168.94
4 Bed	26,143.13	18,195.71	0.00	7,947.42

- 3.20 Overall this brings the spend on nightly paid accommodation to a predicted £12,440,634 for 2015/16. Taking account of the maximum amount able to be charged to those households placed to offset against the cost of provision this still leaves the Council with a net cost of £4,522,107 which uses the full £1.119m contingency set aside for homelessness pressures in a full financial year in addition to the current budget of £3,402,800. This figure already takes into account the additional units due from the refurbishment of Manorfields.
- 3.21 It must also be noted that the administration of ad hoc nightly-let placements is labour-intensive for staff resources, in terms of making placement arrangements, verification of use and payment.
- 3.22 The quality of accommodation offered also needs to be monitored as an increasing number of landlords appear to be trying to cash in with sub-standard and shared facility accommodation leaving us at increased risk of legal challenge and financial claims. The Council has received an increasing number of reviews and complaints that need to be handled and leaving us at increased risk of legal challenge and financial claims. Shared facility accommodation has also increased the cost of removals and storage of belongings with an additional £50K budget pressure for the current financial year.
- 3.23 Members are therefore now asked to approve release of the £649k held in central contingency and also to note the projected pressures for 2015 and beyond. The draw down has been assumed on the budget monitoring report.

3.24 The table below shows the funding held in contingency over the next four years.

	<u>2015/16</u> <u>£'000</u>	<u>2016/17</u> <u>£'000</u>	<u>2017/18</u> <u>£'000</u>	<u>2018/19</u> <u>£'000</u>
Central Contingency	£1,100	£2,150	£3,600	£5,050
Overspend in B&B Placements	-£649	-£649	-£649	-£649
Central contingency remaining	£451	£1,501	£2,951	£4,401

As you can see from the table above the drawdown of £649k in 2015/16 to fund in year pressures will leave £451k in central contingency and a further £4.4m in future years

Future Forecast:

3.25 All of the above, together with research undertaken at both regional and national level reinforces the certainty that current rises in the use and cost of temporary accommodation are set to continue.

3.26 The following trends appear set to continue into the foreseeable future:

- Universal credit roll out and an increasing reluctance of landlords to take households with any level of benefit dependency.
- Lowering of the benefit cap and freezing benefit levels further reducing affordability and also putting increased pressure on out of London accommodation
- Rent reductions for housing associations reducing capacity to carry rent arrears and reducing finance for new build programme
- Potential loss of around 1,600 units through housing association right to buy in LBB
- Continuing property and rental price increases against frozen benefit and temporary accommodation subsidy levels, increasing the funding gap Bromley has to subsidise
- Increased concern from housing associations regarding affordability and requests for rental guarantees to take statutory homeless households
- Leasing providers stating that they cannot manage accommodation within frozen levels and requesting additional top ups from the council
- Outward migration from inner London
- Case law placing increased restrictions on out-of-borough placements
- Homeless legislation does not require households to comply with private rented sector placements and many are increasingly reluctant to consider prs options due to rising rental prices and short tenancy terms.

3.27 Taking count of the current trends, the table below sets out the potential impact on temporary accommodation over the next four years. 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. 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.

Four Year Growth

	<u>2015/16</u> <u>£000</u>	<u>2016/17</u> <u>£000</u>	<u>2017/18</u> <u>£000</u>	<u>2018/19</u> <u>£000</u>
Growth of 15 a month 2015/16	649	1,119	1,119	1,119
Growth of 15 a month 2016/17		533	987	987
Universal credit spike (Estimate of 144 cases)		673	1,246	1,246
Growth of 15 a month 2017/18			533	987
Growth of 15 a month 2018/19				533
Increase in rents (on all)		200	204	208
	649	2,525	4,089	5,080
Contingency for homelessness	1,100	1,400	2,100	2,800
Contingency for welfare reform		750	1,500	2,250
Total	1,100	2,150	3,600	5,050

3.28 In addition to the ongoing work to maximise the level of homeless prevention. Particularly in relation the debt and affordability issues, work continues to explore additional supplies of accommodation to reduce the current reliance on nightly paid accommodation as described above. For the forthcoming year this currently includes:

- Property purchase of up to 400 units over three years, in partnership with a registered provider. This scheme was approved by Executive in June 2015, with the first properties due to be purchased earlier in the new financial year.

The scheme will be reviewed on an annual basis to assess the potential to enter into each phase based upon any changes to rent levels and increases in house prices, both of which may impact upon the level of properties able to be acquired under the scheme. The overall number is also limited by house prices against the level of institutional funding that can be secured.

- Work with registered providers to maximise the supply of new accommodation:

The Council continues to maximise the supply of new accommodation that can be delivered in the borough via registered providers. However, given the financial reforms faced by housing associations together with the right to buy, development programmes are anticipated to be far smaller in future years than has historically been the case.

- Temporary Accommodation gateway review to explore the potential to increase the supply of temporary accommodation from the private sector under a dynamic purchasing framework whilst reducing the current level of rental increases to help contain the current pressures. This work will also explore the potential for driving down costs through sub-regional arrangements.
- Intensive work with private landlords to offer an increased range of flexible incentives to access this sector and attract additional block booking supplies to increase the supply of

accommodation whilst seeking to drive down the current average nightly paid accommodation costs.

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 incorporate both national targets and local priorities identified from findings of the review, audits and stakeholder consultation.
- 4.2 The Council has an approved temporary placement policy which seeks to ensure compliance with the statutory framework for the provision of temporary accommodation meeting the requirements for suitability whilst seeking value for money in all placements.

5. FINANCIAL IMPLICATIONS

- 5.1 The provision of temporary accommodation is a high-risk budget area. The financial implications are considered within the body of this report.

6. LEGAL IMPLICATIONS

- 6.1 All local authorities have a statutory duty under the Housing Act part VII (as amended by the Homelessness Act 2002) to secure suitable temporary accommodation for priority homeless households.
- 6.2 Under section 188, part VII of the Housing Act 1996 local authorities have a duty to secure accommodation for homeless households that are eligible for assistance and have a priority need pending a decision on any duty owed under the 1996 Act. This is known as the 'interim duty'.
- 6.3 Local authorities also have other statutory duties including those under sections 190,195 of the 1996 Act to provide accommodation, help and assistance. This often means providing accommodation to some of the most vulnerable members of the community including for example those with mental health issues, physical disabilities and vulnerable children.
- 6.4 Under section 193 of the Act local authorities are bound by statute to secure that suitable accommodation is available for those applicants who have been accepted as having a 'main' homelessness duty. This will usually initially be filled by continuing the temporary arrangements entered into for the interim duty.
- 6.5 The Council also uses temporary accommodation style arrangements to fulfil the statutory duty towards other client groups for example those with no recourse to public funds and some leaving care clients.
- 6.6 There is clear guidance within the homelessness legislation and case law regarding suitability of temporary accommodation. This includes details of standards of accommodation, nature, style, affordability and location. Recent case law has clearly set out the expectation that local authorities should as far as possible secure accommodation within the locality. Where this cannot be done there needs to be a clear audit trail which demonstrates how accommodation was procured in the nearest possible location. In addition, full risk assessments must be undertaken regarding out-of-borough placements. Lack of accommodation in itself is not sufficient to justify a placement which does not meet the suitability criteria. Failure to meet the above requirements brings the risk of legal

challenge resulting in order with specific placement requirements and compensation orders.

Non-Applicable Sections:	Personnel Implications
Background Documents: (Access via Contact Officer)	LB Bromley Homelessness Strategy 2012 – 2017 LB Bromley Affordable Housing Supplementary Planning Document 2008 Residential Property Acquisitions: Executive Committee June 2015 EC&HS PDS and Executive Report October 2014 Homelessness pressures and contingency drawdown EC&HS PDS Report March 2015: Housing Properties Report