

**Decision Maker:** EXECUTIVE

**Date:** For Pre-Decision Scrutiny by the Care Services Policy Development and Scrutiny Committee on Tuesday 15<sup>th</sup> November 2016

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

**Title:** DRAWDOWN OF HOMELESS CONTINGENCY NEEDS GRANT

**Contact Officer:** Sara Bowrey, Assistant Director: Housing  
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**Chief Officer:** Assistant Director: Housing (ECHS)

**Ward:** Borough-wide

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1. Reason for report

- 1.1 To update Members on homelessness pressures during 2016 and the range of initiatives being undertaken to try and reduce the rising budget pressures wherever possible.
- 1.2 To request drawdown of £760k from the central contingency for homelessness and welfare reform pressures.

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2. **RECOMMENDATIONS**

- 2.1 The Care Services PDS Committee is asked to consider the content of this report and recommend that the Council's Executive release £760k of the contingency set aside to offset the current homelessness and temporary accommodation budget pressures.
- 2.2 The Council's Executive is asked to:
  - i) Release £760k set aside in the central contingency for homelessness and welfare reform pressures;
  - ii) Note the current pressures being faced, mitigating actions underway and the likely budget impact going forward;
  - iii) Support submission of a bid to assist in preventing homelessness under the recently announced homelessness prevention trailblazer funding; and,
  - iv) To note and agree the procurement considerations set out in Section 8 to Report CS17055.

## Impact on Vulnerable Adults and Children

1. Summary of Impact: Statutory duties under homeless legislation mean providing accommodation to some of the most vulnerable members. Current policy seeks to ensure the provision of support to vulnerable adults and young people to prevent homelessness wherever possible or assist in securing alternative accommodation suitable to their needs.
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## Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Children and Young People Supporting Independence:
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## Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs::
  3. Budget head/performance centre: Temporary Accommodation
  4. Total current budget for this head: £4,090,070
  5. Source of funding: EC&HS approved 2016/17 revenue budget
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## Personnel

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:
- 

## Procurement

1. Summary of Procurement Implications:
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): More than 5,500 households approach each year facing housing difficulties which threaten to render them homeless. There are currently 1,348 homeless households in temporary accommodation to whom the Council owes a statutory duty, of which 749 are in costly forms of nightly paid accommodation.
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## Ward Councillor Views

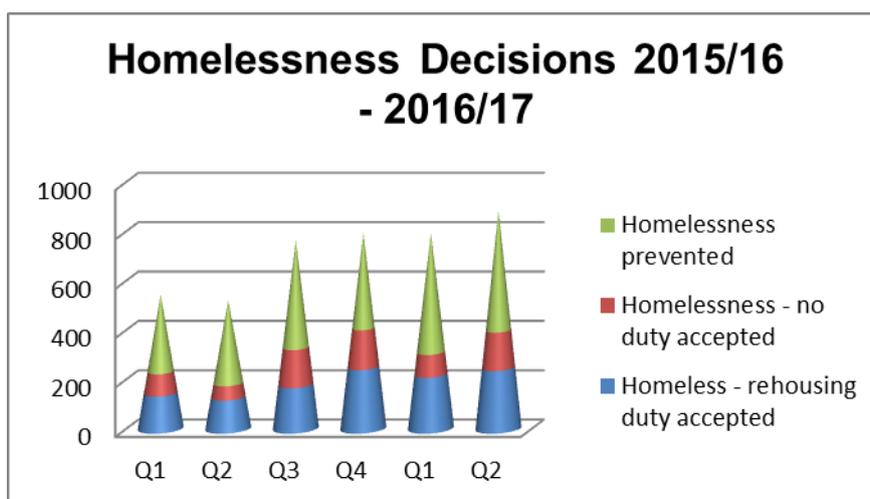
1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### 3. COMMENTARY

3.1 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.

#### Homeless levels

3.2 The number of approaches is now increasing in the main due to such things as the rising costs of accommodation and the latest welfare reform changes. The majority of homelessness approaches are now from households who are facing eviction from the private rented sector, as they are unable to afford current market rental prices. For low-income families with a level of dependency on housing benefit they are unable to bridge the gap between local housing allowance payable and market rents.



#### Housing market and accommodation supply

3.3 Over the past 6 years the maximum temporary accommodation rent that Bromley has been able to pay per property has been effectively been frozen and the local housing allowance has been reduced. Meanwhile rents have increased dramatically, averaging around 4% per year in Bromley.

3.4 As such there is now such a significant 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 or temporary accommodation subsidy, landlords are reluctant to rent to low-income families as temporary leased accommodation or direct.

	Average Rent**	LHA (Outer SE)	Difference
<b>One Bedroom</b>	£956 pcm	£697 pcm	<b>-£259 pcm</b>
<b>Two Bedroom</b>	£1339 pcm	£858 pcm	<b>-£481 pcm</b>
<b>Three Bedroom</b>	£1626 pcm	£1050 pcm	<b>-£576 pcm</b>
<b>Four Bedroom</b>	£1924 pcm	£1394 pcm	<b>-£530 pcm</b>
<b>Five Bedroom.</b>	£3295 pcm	£1394 pcm	<b>-£1901 pcm</b>

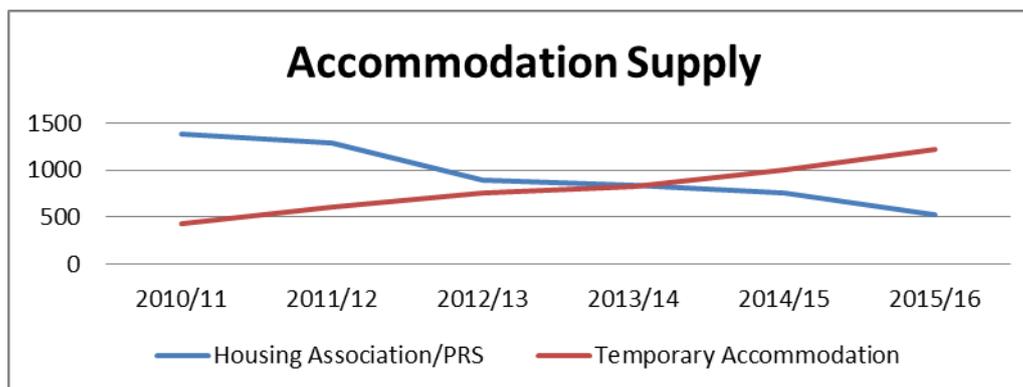
\*\*stats taken from [www.home.co.uk](http://www.home.co.uk) 28/7/16

3.5 A similar picture of affordability gap can be seen in neighbouring boroughs and many parts of the country and particularly in the South East such as Dartford and Chatham.

- 3.6 Social housing lettings have reduced both through re-lets and new build accommodation, with developing housing associations highlighting increasing difficulty in gaining sites and anticipated lower levels of new build developments going forward as a result of recent changes in development and housing association finance frameworks.
- 3.7 It is predominately this affordability gap and reduced supply of lettings that has impacted upon the level of homelessness and temporary accommodation use in Bromley. With many families effectively priced out of the market, they have little option other than approaching the local authority for assistance. As the private rented market is increasingly unaffordable, prevention or relief of homelessness via the private rented market is limited meaning that the Council is faced with more households entering temporary accommodation. Move-on options from temporary accommodation are also more limited resulting in higher use and longer length of time in temporary accommodation for statutory homeless households. This is also impacting on the ability to move care leavers and adults on from supported housing schemes once they have achieved the ability to live independently.

**Number of households in Temporary Accommodation**

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Sept 2016
427	612	764	824	1,010	1219	1,348

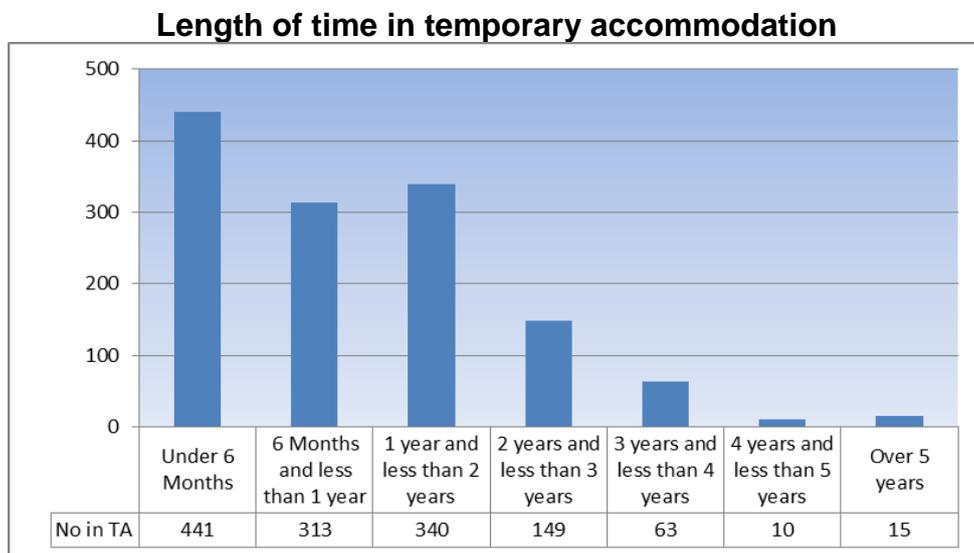
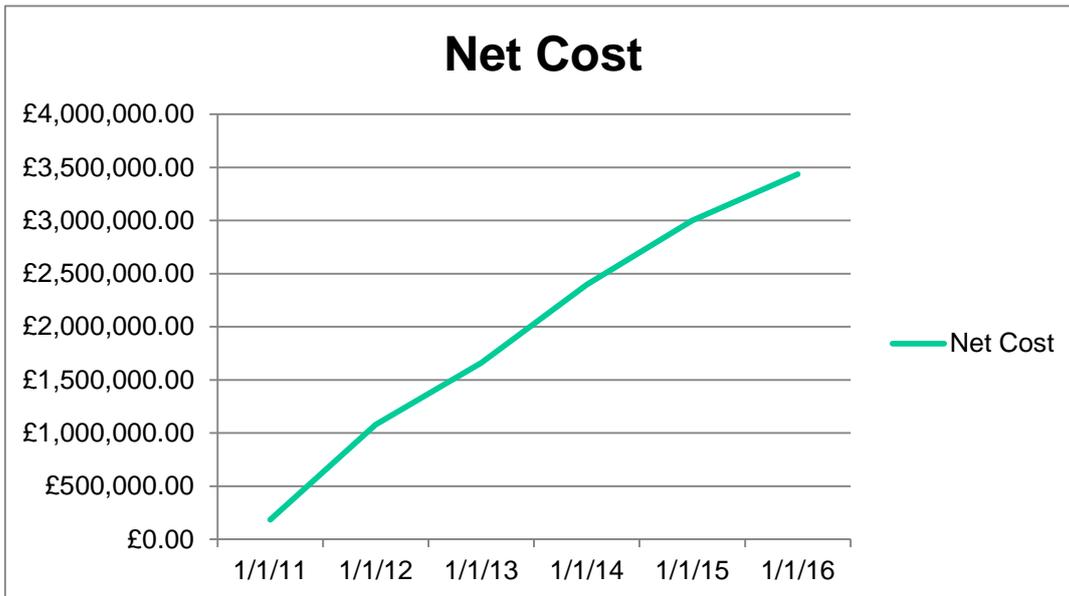


- 3.8 Many landlords are choosing to offer accommodation, that was previously let on the private rented market or as temporary accommodation as more costly nightly paid basis, effectively leaving the Council to top up the difference between benefit levels and the rates that the housing market can command.

**Breakdown of Temporary Accommodation**

Breakdown by TA Type	
Housing Association	278
Housing Association managed/leased	256
Nightly paid private sector - self contained	720
Nightly paid private sector - Not self-contained	79
Commercial hotel/B&B - not self-contained	15
<b>Total</b>	<b>1,348</b>

**Impact on the net cost of temporary accommodation:**



## Mitigating Actions

- 3.9 The Housing Division’s success in delivering housing advice and homelessness prevention has helped 964 households to remain in their home or secure alternative accommodation during the first half of 2016/17. The comparative cost of placing these families in temporary accommodation would have been £558,319 per month.
- 3.10 Temporary accommodation is kept under continuous review in order to try and increase the supply of accommodation to meet the level of statutory need whilst achieving best value. During the first half of 2016/17 this has included:
- On-going work with nightly paid providers on a local and pan-London basis to try and keep rates as static as possible.
  - Securing 4 block booking arrangements with an annual saving of £207,000 against the current average costs of nightly paid provision. Work continues to secure block booking arrangements where these offer surety of supply, quality of accommodation and lower rates than individually booked units. As such arrangements require speedy responses on a ‘use it’ or ‘lose it’ basis, it is requested that delegated authority is given to the Portfolio Holder to approve such arrangements where the opportunity arises.
  - Completion of the refurbishment of Manorfields, a former residential home to create 45 units of temporary accommodation. Manorfields is now fully occupied and is on track to

produce annual savings of approximately £264K based on the comparative current average nightly paid accommodation costs for this number of households.

- Close work with private landlords and a variety of incentives has secured access to 40 privately rented units for low-income households.
- More Homeless Bromley, property purchase scheme is now operational, with the first letting due to be completed during November 2016. The scheme is expected to bring forward approximately 10 new units per month up to a maximum of 400 units over the next 3 years.
- The development of a new early intervention prevention team secured through one-off government tackling temporary accommodation grant to pilot innovative approaches to homelessness prevention at an earlier stage.
- Work across the sub-region to explore options of a dynamic purchasing system to better manage the provision of temporary accommodation. Market research and learning from existing models has informed this work with further analysis now underway to consider the options to also commission a procurement agency within the South East to increase private sector and leasing accommodation alongside the DPS framework.
- Working with developers and housing association to increase the provision of affordable new build accommodation and explore all opportunities to use any vacant units for temporary accommodation, even if on a short life basis.

3.11 In addition the government has just announced £40m additional funding to support trailblazing innovative approaches to tackle and prevent homelessness and reduce rough sleeping. Bids for a proportion of the funding need to be submitted by 28<sup>th</sup> November. Members are therefore requested to support the development of a bid in partnership with South East Boroughs to expend upon the early intervention pilot, to increase access to private sector accommodation and build resilience amongst those threatened with homelessness to prevent repeat homelessness.

### **Current Budget Position and Contingency drawdown**

3.12 The above factors mean that the total number of households in temporary accommodation is now 1,348 (excluding those placed in supported accommodation as part of a rehousing pathway).

3.13 Although pan-London arrangements have been made to try and control nightly paid rates, demand is still outstripping supply, which is forcing up prices, particularly outside of London. 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.

3.14 The current average cost of nightly let accommodation is as follows:

	<b>Average Annual Cost</b>			
	Landlord Charge	HB Subsidy	Personal Charge	<b>Cost to LBB</b>
Room	11,038.59	8,697.23	839.50	<b>1,501.86</b>
Rooms	22,995.00	8,121.25	1,606.00	<b>13,267.75</b>
Studio	12,040.52	9,980.88	0.00	<b>2,059.65</b>
1 Bed	14,782.74	9,619.39	0.00	<b>5,163.35</b>
2 Bed	18,006.05	11,055.91	0.00	<b>6,950.14</b>
3 Bed	20,916.10	12,152.01	0.00	<b>8,764.09</b>
4 Bed	24,486.74	16,647.81	0.00	<b>7,838.93</b>

3.15 Overall this brings the anticipated full year spend on temporary accommodation for 2016/17 to £14,559,39. Taking account of the maximum amount able to be charged to those households placed to offset against the cost of this provision this still leaves the Council with a net cost of £4,931,323.

3.16 It must also be noted that there are additional resource pressures for both the Council (Housing and Legal Services) and Liberata (for accommodation charge collection) arising from increased casework for homeless approaches, volume of temporary accommodation use and increased complaints and legal challenges that have to be dealt with. As can be noted from the table below, there has been a significant increase in Judicial Reviews, section 202 reviews and section 204 appeals placing pressure on legal resources. Increase in litigation in this area means more and more in-house legal time is used to deal with the cases as well incurring the cost of counsel and paying the other sides legal costs.

Table : Homelessness Judicial Reviews, Section 202 reviews and section 204 appeals

	2013	2014	2015	2016 (part year)
Total	2	19	26	32

3.17 The quality of accommodation 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 the Council at increased risk of legal challenge and financial claims.

3.18 Shared facility accommodation has also increased the cost of removals and storage of belongings with an additional £125K budget pressure for the current financial year.

3.19 Members are therefore now asked to approve release of £760K from the central contingency and also to note the projected pressures for 2016 and beyond. The drawdown has been assumed on the budget monitoring report.

### Future Pressures

3.20 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.

3.21 The following trends appear set to continue into the foreseeable futures:

- Continuing property and rental price increases against frozen benefit and temporary accommodation subsidy levels reducing access/supply of private rented and temporary accommodation unit thus increasing the number of households accommodated by the Council and funding gap needing to be subsidised and reducing access
- Increased homeless approaches, particularly from the lowering of the benefit cap.
- Increased concern from housing associations regarding affordability and increased refusals for nominations and/or requests for rental guarantees to take statutory homeless households.
- Increased rent arrears resulting from universal credit and the lowering of the benefit cap.
- Increased pressure on out of London accommodation
- Increasing legal challenges around temporary accommodation including the type, location and length of stay

3.22 There are also a number of legislative and financial changes being implemented or proposed which could impact significantly, creating greater resource and budgetary pressures. Most importantly:

1. Temporary accommodation subsidy arrangements are currently under review. Whilst it is hoped that future arrangements may be more reflective of actual costs and offer greater flexibility arrangements have not yet been published and this creates increased uncertainty around future funding and current schemes.
2. The Homelessness reduction Bill proposes extensive changes to the statutory requirements around housing advice and prevention work and whilst the principles of early intervention are welcomed, this would place significant cost pressures on the Council to resources the additional work and temporary accommodation placements at least in the short term.
3. The recent Housing and Planning Act widens the definition of affordable housing to include starter homes. Whilst guidance is still awaited, there is a risk that this could further reduce the supply of affordable rented units required resulting in further increases in temporary accommodation use.

3.23 Taking account of 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 accommodation would have a 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 new legislative changes around the threshold for assistance under the homelessness provision.

**ROUGH UPDATED calculation on Current Homelessness position**

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£001</u>
Growth 2016/17	530	796	796	796
Universal credit spike		673	1,246	1,246
Universal Credit subsidy loss		190	380	380
Additional posts	65	175	175	175
Furniture and Storage	125	125	125	125
Growth 2017/18		750	1,000	1,000
Growth 2018/19			750	1,000
Growth 2019/20				750
Increase in rents (on all)		200	204	208
Legal costs	40	90	90	90
	<b>760</b>	<b>2,999</b>	<b>4,766</b>	<b>5,770</b>

**4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

4.1 There is no direct impact on vulnerable adults and children arising from the contents of this report. Current policy holds safeguarding as a core element within the homeless assessment process and ensures the specific needs of vulnerable adults and children are considered within

the suitability assessment of all accommodation provided in discharge of the homelessness duty as referred to in sections 5 and 7 of this report.

## **5. POLICY IMPLICATIONS**

- 5.1 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 best practice guidance, audits and stakeholders consultation.
- 5.2 The Council has an approved temporary accommodation placement policy which seeks to ensure compliance with the statutory framework for the provision of temporary accommodation meeting the requirements for suitability whilst seeking best value for money in all placements.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The provision of temporary accommodation is a high risk budget area. The financial implications are considered within the body of this report. There is sufficient provision within contingency to cover this request.

## **7. LEGAL IMPLICATIONS**

- 7.1 All local authorities have a statutory duty under part VII (as amended by the Homelessness Act 2002) to secure suitable temporary accommodation for priority homeless households.
- 7.2 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 known priority need pending a decision on any duty owed under the 1996 Act. This is known as the 'interim duty'
- 7.3 Local authorities also have other statutory duties including those under sections 190 and 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, physical disabilities and vulnerable children.

## **8. PROCUREMENT IMPLICATIONS**

- 8.1 In January 2016 the Executive agreed that the Housing Division will continue to pursue cost effective block contracts for TA both in private sector leasing and nightly paid accommodation. When Officers identify the opportunity to block book temporary accommodation at a lower rate than normal nightly paid rates it is imperative that they act quickly to secure the accommodation and the price, otherwise the properties will be offered to other authorities.
- 8.2 Such action will require formal exemption from Contract Procedure (CPR) rules as set out in CPR 3.1 and 13. In the case of block bookings for TA the formal request for exemption will be submitted to the relevant authorising officer / officers as required, but recognising that it may not be possible to complete formal exemption paperwork prior to agreement to award the contract.
- 8.3 Housing Officers will estimate the potential contract value and gain written agreement from the Chief Officer and / or Officers as set out in CPR 13 before entering into such block contracts. Records will be maintained as set out in CPR 13.2. Formal Waiver paperwork will be submitted retrospectively and reported to audit subcommittee as required.

<b>Non-Applicable Sections:</b>	Personnel
Background Documents: (Access via Contact Officer)	Gateway Report – Temporary Accommodation CS16007 LB Bromley Homelessness Strategy 2012-17 LB Bromley Affordable Housing Supplementary Planning Document EC&HS PDS and Executive Report November 2015