

**PUBLIC ACCOUNTS SELECT COMMITTEE**

<b>Report Title</b>	<b>Briefing on housing pressures and the use of nightly paid accommodation</b>		
<b>Key Decision</b>	<b>No</b>	<b>Item No.</b>	<b>4</b>
<b>Ward</b>	<b>Borough Wide</b>		
<b>Contributors</b>	<b>Head of Strategic Housing</b>		
<b>Class</b>	<b>Part 1</b>	<b>Date:</b>	<b>5 February 2015</b>

**1 Summary**

- 1.1 This note sets out for Committee the responses to three questions that it had previously raised relating to the Council's use of nightly paid accommodation as a result of the current housing crisis.

**2 Recommendations**

Public Accounts Select Committee is recommended to;

- 2.1 Note the information contained within this report in response to the questions that have previously been raised in relation to the Council's use of nightly paid accommodation for homeless households.

**3 Questions and responses**

*By how much has the use of B&B by the Council increased since the start of 2012/13?*

- 3.1 The table below sets out the level of usage of "bed and breakfast" accommodation – that is short term emergency accommodation paid for on a nightly basis – and how that has increased since 2012/13.

<b>Bed and Breakfast usage</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15 (projected)</b>
Total number in B&B at year end	80	282	579 (at 17 January)

*By how much have costs associated with nightly paid accommodation risen since the start of 2012/12?*

- 3.2 The table on the following page sets out the extent to which the housing crisis, and the subsequent demand for nightly paid accommodation, has led to significant cost pressures for the Council.

<b>Bed and Breakfast Accommodation expenditure</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15 (projected)</b>
Total Expenditure	£1,265,647	£3,601,355	£8,580,000
"Non-reclaimable" expenditure	£222,000	£1,112,000	£2,500,000

- 3.3 The table shows that as a result of the massive increase in demand for nightly paid accommodation the total annual expenditure level has increased more than sevenfold in three years. The main financial impact for the Council is the limit set by Government on the proportion of that expenditure which can be reclaimed by the Council.
- 3.4 There is in practice two limitations on the income that the Council can reclaim in relation to the costs of placing families in nightly paid accommodation. These relate to whether the placement is in either self contained or non self contained accommodation, but they have the same effect, which is to limit the amount that the Council can claim against housing benefits for the placement in question.
- 3.5 The Government set these limits in 2011 and so the amount that can be reclaimed has not kept pace with the market increase in charges as illustrated below.

Type	Daily Charge £	Weekly charge £	HB applicable £	LHA applicable £	Shortfall £
Studio	42.66	298.62		121.00	177.62
2 Bed Studio	80.00	560.00		268.47	291.54
1 Bed Flat	49.73	348.13		211.34	136.78
2 Bed Flat	60.26	421.85		268.47	153.39
2 Bed House	60.50	423.50		268.47	155.04
3 Bed Flat	76.65	536.57		310.00	226.57
3 Bed House	73.46	514.19		310.00	204.19
4 Bed Flat	85.00	595.00		413.84	181.16
4 Bed House	79.27	554.89		413.84	141.05
5 Bed Flat	70.00	490.00		500.00	-10.00
5 Bed House	88.00	616.00		500.00	116.00
1 Single Room	28.89	202.22	190.40		11.82
1 Double Room	35.33	247.28	190.40		56.88
2 Double Rooms	67.50	472.50	190.40		282.10
1 Triple Room	44.41	310.84	190.40		120.44
1 Quad Room	59.48	416.37	190.40		225.97

- 3.6 The table shows that the total costs that cannot be reclaimed has now grown to a projected £2.5m this year. There are two factors affecting this. First, the volume of people placed in nightly paid accommodation means that even a small variance between rents and the amount that can be reclaimed, when multiplied by the nearly 600 placements that are currently being made results in a considerable budget pressure.

- 3.7 The second factor is that the rents charged for these placements are increasingly more expensive than the limitations on what the Council can reclaim, both as a result of rapidly increasing rental growth in the housing market and as a result of the simple fact that the need to obtain such a volume of properties means that officers are forced to use more expensive properties that in other times would not have been used.

*What are the factors behind the rise in numbers, and what action has been taken to reduce the cost for the Council (such as procuring cheaper B&B accommodation, bringing council-run hostel units into service, rules around claiming B&B costs back from central government)?*

- 3.8 The factors behind the rise in homelessness have been reported to Mayor and Cabinet a number of times during the period in which the rapid rise in nightly paid accommodation use has taken place.
- 3.9 The first thing to make clear is that this is a London-wide issue, and Lewisham is not alone in experiencing the current level of demand. A number of factors are driving this increase, and despite these broadly being beyond the control of the Council, nevertheless the Council retains a statutory duty to respond to the problem and also bears the financial pressure associated with it. These factors include property price inflation which continues to hugely out-strip other measures of inflation, and which in turn provides incentives for landlords to seek higher rents than can be afforded by the Council or otherwise to sell their properties and cash out of the housing market while prices are high. It is also caused by on-going shortfalls in the new supply of all forms of housing and in particular affordable housing and by a general fall in the movement of current tenants within and out of existing stock.
- 3.10 In response to this crisis the Council has initiated a wide ranging and assertive programme of interventions in the local housing economy, including:
- the construction of new homes,
  - the acquisition of properties for temporary accommodation purposes which provide a more sustainable and better quality alternative to bed and breakfast,
  - piloting innovative methods of construction to provide more homes more quickly,
  - reducing costs by negotiating with providers of emergency accommodation and landlords and procuring properties at lower cost
  - working across London on a sub regional basis and with all London Councils on the Inter Borough Temporary Accommodation Agreement to agree rates with providers to keep costs down
  - managing demand by working more intensively to prevent homelessness
  - working on a range of policy changes set out below, in order to manage demand to address this crisis.
- 3.11 The construction of the first new Council homes of the 500 that will be delivered by 2018 - funded entirely by the Council and developed on its behalf by Lewisham Homes - will shortly complete and these homes will become available for residents in housing need. Other reports on this agenda set out

further progress in this regard, with more than 200 new homes identified and in the development process.

- 3.12 In February 2014 Mayor and Cabinet approved plans to acquire two large properties which could be converted into hostels in the short term in order to provide the Council with access to additional short term accommodation for 32 homeless families, and which would be of better quality and at a reduced cost compared to bed and breakfast accommodation. In April 2014 Mayor and Cabinet agreed to provide funding of £4.3m to enable the acquisition of a further 50 units of hostel accommodation, based on the same business case and logic as the two prior acquisitions.
- 3.13 In October 2014 Mayor and Cabinet approved plans for an innovative new model of development, whereby “re-deployable” temporary housing could be constructed on vacant sites in the short term, enabling both the use of vacant land in the short term and the provision of cheaper and better alternatives for homeless households at the same time. In total the Council has allocated £7.74m to fund the acquisition of properties, of which £6.725m has been already been allocated and will bring forward an additional 69 units of hostel or other temporary accommodation within the coming year, and the remaining budget is expected to be expended on funding additional purchases early in 2015.
- 3.14 Other policy changes have also been implemented. As an emergency measure 80 per cent of all two and 70 percent of three bed properties which become available for letting are being let to homeless households. Changes to the delivery of front line services, by consolidating office accommodation, introducing on line services to encourage self help and by focussing more on homeless prevention have also been made to help address the problem.
- 3.15 Finally, in January 2015, Mayor and Cabinet agreed that a further property acquisition programme should be undertaken, in this instance led by Lewisham Homes on behalf of the Council. In this case the properties are being bought on the open market by Lewisham Homes and let to households who would otherwise be in more expensive and less appropriate temporary accommodation, while longer term and more sustainable options are sought.

#### **4. Background documents and originator**

- 4.1 A full summary of the effects of the housing crisis and the policy and other responses was presented to Mayor and Cabinet on 14 January 2015, as set out below:

<b>Short Title of Document</b>	<b>Date</b>	<b>Location</b>	<b>Contact</b>
Homelessness: Lewisham Homes Property Acquisition	14 January 2014	Available at this <a href="#">link</a>	Jeff Endean 020 8314 6213

- 4.2 If you would like any further information on this report please contact Genevieve Macklin, Head of Housing at [Genevieve.macklin@lewisham.gov.uk](mailto:Genevieve.macklin@lewisham.gov.uk) or on 020 8314 6057.