

<b>PUBLIC ACCOUNTS SELECT COMMITTEE</b>			
<b>Title</b>	Temporary Accommodation Pressures & Pan-London Working Update		
<b>Key Decision</b>	No	Item No.	4
<b>Ward</b>	All		
<b>Contributors</b>	Executive Director for Customer Services		
<b>Class</b>	Part 1	Date:	25 January 2017

## 1. Summary

- 1.1 In July 2015 Public Accounts Select Committee were presented with a financial forecast report for 2015/16. The report forecasted a £2.4m overspend in the Strategic Housing service for 2015/16, solely relating to expenditure on Nightly Paid temporary accommodation.
- 1.2 It was noted during the meeting that this was a London-wide issue and that the Council was undertaking a variety of activities to manage housing demand, increase supply and to reduce the costs in this area. This included participating in a pan-London scheme intended to restrict the ability of landlords to charge excessive rents to boroughs procuring temporary accommodation. Public Accounts Committee recognised that collaboration with other boroughs was needed to tackle this issue.
- 1.3 The report outlined that the number of households in Nightly Paid accommodation sourced by Lewisham had increased from 382 in May 2014 to 586 in May 2015, following a peak of 616 in February 2015. This sharp increase in the need for such accommodation was a significant factor in the anticipated overspend.
- 1.4 In March 2016 Public Accounts Select Committee noted that they would like an update on the outcomes of the Pan-London scheme mentioned in the report of July 2015.
- 1.5 The latest published figures from DCLG show that at the end of September 2016 over 53,000 households were housed in temporary accommodation by London Boroughs. Over 19,000 of these households were in Nightly Paid accommodation.
- 1.6 At the end of December 2016 there were over 1,810 households in temporary accommodation arranged by Lewisham, of which over 500 were in Nightly Paid accommodation.
- 1.7 The council has adopted an innovative and multi-faceted approach to reducing the number of households in Nightly Paid accommodation. Through this approach the council has been able to reduce and stabilise

the number of households in Nightly Paid accommodation despite a challenging housing climate.

- 1.8 The number of homelessness cases accepted by the Council has remained high since 2013/14 and shows no sign of abating. This is matched by a decrease in the number of lets available over this period, both of which have contributed to the significant increase in the number of households in temporary accommodation. However, the number of households in nightly paid accommodation has reduced from the high of 616 to 505 as at the end of December 2016 and has stabilised at this level during recent months.
- 1.9 House price increases in Lewisham have been higher than increases across London for the past year, providing landlords with an incentive to seek higher rents than the council can afford or to sell their property whilst prices remain high. This is further exacerbated by a shortfall of new supply of all forms of housing.

## **2. Recommendations**

It is recommended that the Public Accounts Select Committee:

- 2.1 Note the current situation, policy context and pressures concerning the use of temporary accommodation for homeless households.
- 2.2 Note the outcomes of Pan-London action to restrict Nightly Paid rates to date and the operation of the IBTAA to date.

## **3. Policy Context**

- 3.1 The contents of this report are consistent with the Council's policy framework. It supports the achievements of the Sustainable Community Strategy policy objectives:

- Ambitious and achieving: where people are inspired and supported to fulfil their potential.
- Empowered and responsible: where people can be actively involved in their local area and contribute to tolerant, caring and supportive local communities.
- Healthy, active and enjoyable: where people can actively participate in maintaining and improving their health and well-being, supported by high quality health and care services, leisure, culture and recreational activities.

- 3.2 The proposed recommendations are also in line with the Council policy priorities:

- Decent homes for all - Investment in social and affordable housing, improve housing conditions and tackle homelessness

3.3 It will also help meet the Council's Housing Strategy 2015-2020 in which the Council commits to the following key objectives:

- Helping residents at times of severe and urgent housing need
- Building the homes our residents need
- Greater security and quality for private renters
- Promoting health and wellbeing by improving our residents' homes

#### **4. Background**

4.1 Changes in the Local Housing Allowance introduced by the government in 2015, combined with the increasing cost of housing in London and a shortage of affordable homes have caused a significant increase in the number of households in nightly paid accommodation and the costs of such accommodation.

4.2 London Boroughs developed the Inter-Borough Temporary Accommodation Agreement (IBTAA) in 2004.

4.3 The IBTAA was updated in 2011 to take account of the changes that had occurred since the original agreement was signed.

4.4 The refreshed agreement was based on a number of underlying principles, designed to ensure that boroughs which were receiving larger numbers of placements than they were making were not unduly disadvantaged, to prevent authorities from competing to outbid each other, to safeguard vulnerable households and to ensure relevant data was shared across authorities.

4.5 Data is collected from boroughs on a quarterly basis for the purposes of monitoring and analysis in line with the agreed principles.

#### **5. Lewisham Context**

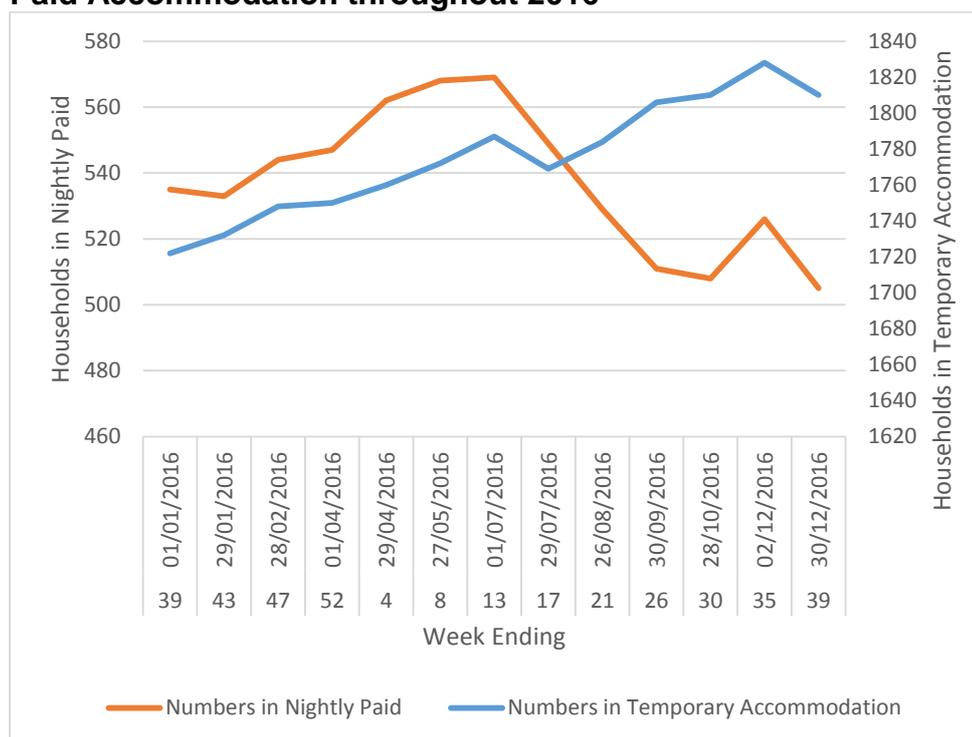
5.1 The shortage of supply of both social housing and affordable private rented accommodation in Lewisham continues to lead to high demand on the Housing Needs Service. There has been an 89% increase in the number of households in temporary accommodation between 2010/11 and 2015/16 – and as at the end of December 2016 there were over 1,810 homeless households in temporary accommodation.

5.2 There has been a 45% increase in the number of households housed in temporary accommodation by London boroughs in the same period. As at the end of March 2011 there were 35,830 households in temporary accommodation sourced by London boroughs and at the end of March 2016 this was 51,940. The total number in temporary accommodation arranged by local authorities in England as at the end of March 2016 was

71,540, meaning that London boroughs were responsible for 73% of placements in England.

- 5.3 A wide range of approaches have been deployed to manage demand, by preventing homelessness wherever possible and increasing the supply of permanent housing. This has enabled officers to reduce the use of nightly paid accommodation, focussing on the most expensive properties, and to increase the quality of the accommodation that is available to the Council.
- 5.4 The Council has redesigned its Housing Options service and has renewed its focus on increasing Homelessness Prevention.
- 5.5 Policy changes have enabled the council to provide more affordable homes for homeless families out of the borough and out of London where this is appropriate and meets the needs of the family.
- 5.6 Working with Lewisham Homes and the Housing Needs Procurement Service a successful strategy has been deployed to increase the provision of temporary accommodation in-borough by over 130 properties. This includes acquiring over 60 properties on the open market, converting a former care home at Hamilton Lodge into 21 units of temporary accommodation, converting a long term empty office block at Kelvin House into 27 units of temporary accommodation and constructing 24 new two bedroom units for homeless families at PLACE Ladywell. These properties are more sustainable and less costly than the previously available alternatives.
- 5.7 The expansion of the council's temporary accommodation portfolio combined with a renewed focus on prevention and a redesigned service has enabled the council to reduce the number of households in Nightly Paid accommodation to 505 as at the end of December 2016. This represents a 16% reduction on the numbers in such accommodation in February 2015. The below graph outlines the ongoing increase in the number of households in temporary accommodation arranged by Lewisham in 2016 and the reduction in the use of Nightly Paid accommodation over the same period.

## Number of Households in Temporary Accommodation & Nightly Paid Accommodation throughout 2016



- 5.8 Between 2010/11 and 2015/16 the number of affordable properties to let has decreased by 40%. The Council has over 9,400 individuals and families on the Housing Register and this figure is increasing annually.
- 5.9 In the 2015-16 financial year, the Local Authority spent £14.6m on Bed and Breakfast type accommodation before income; with rental charges to clients, the net spend was £3.9m (an increase from £3.5m in 2014/15 and £1.5m in 2013/14). Additionally, in the 2015-16 financial year, £8.9m was spent on PSL and £2.3m on hostels before income.
- 5.10 For the past 3 financial years, the PSL & Hostel services have operated at no net cost to the council. However, as demand for temporary accommodation has consistently outstripped supply and continues to do so, it has not been possible to place all households into these forms of temporary accommodation.
- 5.11 LHA rates have been capped for the foreseeable future, which creates an additional pressure as the cost of renting increases rapidly in Lewisham and London more generally.
- 5.12 It is expected that demand for services will continue to increase as a consequence of government policies such as the Homelessness Reduction Bill, which recommends significant changes to the existing approach to homelessness is progressing through parliament and will have significant resource implications for the Council. The reduction of

the benefit cap from £26,000 per annum to £23,000 per annum is also anticipated to increase the demand for services.

## **6. Pan-London Agreement**

- 6.1 The existing Inter-Borough Accommodation Agreement refreshed in 2011 took account of ongoing changes to the funding allocation for temporary accommodation and to eligible LHA rates. The renewed agreement sought to reflect the new realities with regards to homelessness in London and to foster a collaborative approach that worked best for all boroughs.
- 6.2 Four key principles were re-iterated in the 2011 agreement and these form the essence of this Pan-London approach.
- All boroughs agree not to offer a landlord or supplier more than the host borough offers for a property in its area.
  - All boroughs placing a household in another borough will inform the host borough of the placement.
  - Boroughs will avoid placing the most vulnerable households in other boroughs.
  - RSLs procuring HALS or HALD will offer these properties to the host borough in the first instance.
- 6.3 The four principles seek to control costs through restricting councils from out-bidding each other, to support other boroughs through information sharing, to protect vulnerable households and to allow boroughs first choice on certain types of accommodation becoming available in their borough.
- 6.4 Rates are set across boroughs based on the LHA rate(s) which are applicable in the area. These rates also take into account the cost of accommodation across boroughs and include input from officers across authorities to ensure they are reflective of actual costs.
- 6.5 Where a placement is made which breaches the rates agreed in an area, authorities are requested to provide additional detail as to why this breach has occurred so this can be monitored.
- 6.6 The current maximum rates for Nightly Paid accommodation in Lewisham are as below:

**Self-Contained Nightly Paid Accommodation Rates (including utilities) and available LHA Rates**

	<b>Inner SE London</b>	<b>Inner SE London LHA Rate</b>	<b>Outer SE London</b>	<b>Outer SE London LHA Rate</b>
Studio	£36	£30.19	£35.50	£25.74
1 Bed	£41	£38.35	£39	£30.19
2 Bed	£51.50	£44.29	£46	£35.24
3 Bed	£63	£59.12	£53.50	£44.29
4 Bed	£80	£73.96	£56	£56.15

**Shared Nightly Paid Accommodation Rates (including utilities) and available LHA Rates**

	<b>Inner SE London</b>	<b>Inner SE London LHA Rate</b>	<b>Outer SE London</b>	<b>Outer SE London LHA Rate</b>
Single	£27	£30.19	£25	£25.74
Double	£35	£30.19	£30	£25.74
Triple	£45	£30.19	£30	£25.74
Quad	£51	£30.19	£30	£25.74

- 6.7 Rates are also set to limit the amount which can be paid for temporary accommodation which is leased in the borough. These rates are as follows.

**Leased Temporary Accommodation Rates and available LHA Rates**

	<b>Inner SE London</b>	<b>Inner SE London LHA Rate</b>	<b>Outer SE London</b>	<b>Outer SE London LHA Rate</b>
Studio	£249.08	£211.34	£206.02	£161.02
1 Bed	£249.08	£211.34	£206.02	£180.19
2 Bed	£310.29	£268.47	£243.11	£211.34
3 Bed	£375.72	£310	£287.40	£246.66
4 Bed	£462.02	£413.84	£357.77	£310

**7. Impacts of the IBTAA**

- 7.1 Whilst the net expenditure on Nightly Paid accommodation increased by £1.75m between 2013/14 and 2014/15 and by £780,000 between 2014/15 and 2015/16, this was primarily a consequence of the significant increase in the number of households placed into temporary accommodation rather than any general increase in costs during this period.
- 7.2 Whilst the drivers behind the demands for - and cost of - temporary accommodation are varied, between April 2015 and September 2016, the average rate for Nightly Paid accommodation remained largely static.
- 7.3 Financial modelling undertaken in September 2015 sought to compare the projected cost of nightly paid accommodation if the rates paid remained the same, compared to what it would be if the rates charged were as those set by the IBTAA.

- 7.4 According to this model, if the Council was paying September 2015 rates for its current nightly paid portfolio, this would cost nearly £3.9m this financial year. However the Council is currently forecasting a spend of £3m on nightly paid accommodation this financial year.
- 7.5 This means that the Council is spending £900k a year less on TA than it would have had it continued to pay the rates it was paying in September 2015. This will be down to a number of factors, but the IBTAA will have made a significant contribution to this reduced spend.
- 7.6 Under 5% of recorded placements across London were in breach of the agreed rates in 2015/16, whilst in the first 2 quarters of 2016/17 just over 3% of all placements made into the borough of Lewisham were in breach of the agreed rate. This suggests that compliance with the IBTAA is generally high, and breaches are usually only due to the unavailability of any other accommodation at the time that emergency accommodation was required.

## **8. Future Pressures & Initiatives**

- 8.1 The Homelessness Reduction Bill is currently progressing through parliament. This bill recommends significant changes to the existing approach to homelessness and would have a significant cost impact to the authority, including a requirement for an additional enhanced service and the provision of additional temporary accommodation in some circumstances.
- 8.2 DCLG has undertaken an informal consultation regarding proposed changes to the existing Temporary Accommodation management fee structure. The new funding structure will apply as of 1<sup>st</sup> April 2017 and whilst guarantees have been made that no authority will be worse off in 2017/18 it is not known what impact this might have beyond 2017/18.
- 8.3 Nightly Paid Accommodation is currently forecast to come under budget in 2016/17 due to a combination of increased budget and the aforementioned work to reduce the numbers in Nightly Paid.
- 8.4 It is becoming increasingly challenging to keep the Private Sector Leasing scheme within budget. Properties which have been leased are being handed back at a quicker rate than new properties can be signed up for this scheme, as rising house prices and a shift in the market reduce the appeal of this particular offer.
- 8.5 Landlords are increasingly opting to sign up to a Privately Managed Accommodation agreement, in which the Council pays the maximum rate possible and the landlord or their agent provide a housing management service. This may have financial implications for the Council as it results in the management fee being paid to the landlord or

agent rather than being held by the authority, and as it is increasingly becoming the model for leasing properties from the private sector.

8.6 The acquisition programme has been successful in allowing Lewisham Homes to purchase suitable individual properties on the open market and to offer appropriate, flexible tenancies to households in a manner that the Council could not through a similar scheme. Over 60 properties have been acquired to date through this programme, the majority of which are being used as temporary accommodation. A further loan has been agreed to develop and expand this programme.

8.7 80% of two bedroom properties and 70% of three bedroom properties which become available through the councils Allocations scheme are being prioritised for Homeless families in accordance with the council's Annual Lettings Plan. Whilst in the short term this leads to a larger number of void properties and the according loss of revenue, this enables the council to move households out of expensive Nightly Paid accommodation quicker and thus generates a longer-term saving.

## **9. Financial Implications**

9.1 There are no specific financial implications to this report.

## **10. Legal Implications**

9.1 There are no specific legal implications to this report.

## **10 Equality Implications**

10.1 There are no specific equalities implications to this report.

## **11. Human Rights Implications**

11.1 There are no specific human rights implications to this report.

## **12. Environmental Implications**

12.1 There are no specific environmental implications to this report.

## **13. Background Documents and Report Author**

13.1 If you require further information about this report please contact