Public Accounts Select Committee

Temporary Accommodation Update

Date: 14 March 2024

Key decision: No.

Class: Part 1

Wards affected: None specific

Contributor: Executive Director of Corporate Resources and Executive Director of Housing

Outline and recommendations

The cost of temporary accommodation is currently £10m higher than the budgeted level as at Period 10 2023/24. This paper gives some background to the financial pressure faced, action which has been taken by the service to reduce costs in this area as well as plans that the service have in place to tackle the overspend.

Timeline of engagement and decision-making

14th March 2024 – Temporary Accommodation Update 2023/24 to Public Accounts Select Committee

1. Summary

1.1. This report sets out the context in which the temporary accommodation (TA) service is operating and the supply challenges faced by the service. It goes on to set out the measures which are in place to try to address these challenges both in the current and forthcoming financial year.

2. Recommendations

2.1. The purpose of this report is to update Public Accounts Select Committee on Temporary Accommodation. Public Accounts Select Committee are asked to: Note the briefing and work being undertaken.

3. Policy Context

3.1. The Council's strategy and priorities drive the budget with changes in resource allocation determined in accordance with policies and strategy. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's Corporate Strategy (2022-2026):

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

3.2. This financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year, despite the increasing demand to deliver services to the growing number of borough residents. The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy.

3.3. The Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.

3.4. This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough for new homes, school improvements, regenerating town centres, renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. There is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to increase housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.

3.5. The pace, scope and scale of change has been immense: the current cost of living crisis is demanding agility, creativity, pace, leadership, organisational and personal resilience, strong communications and an unerring focus on the right priorities. The service and finance challenges following Covid are now blending with the wider economic implications of a decade of austerity and erosion of public services, the trading changes arising from Brexit, and the impacts from other global events (e.g. war in Ukraine and extreme climate events, etc..) on supply chains and inflation levels.

3.6. While we do not yet fully understand what all of the long-term implications of the above will mean for the borough, there have been many clear and visible impacts on our residents, Lewisham the place and also the Council. We know that coronavirus disproportionately affected certain population groups in Lewisham, matching patterns that have been identified nationally and internationally: older residents, residents born in the Americas & the Caribbean, Africa or the Middle East & Asia, and residents in the most deprived areas of the borough have considerably higher death rates. We know that more Lewisham residents are claiming unemployment benefits compared to the beginning of this year and that food insecurity has increased in the borough.

3.7. The contents of this report are consistent with the Council's policy framework. It supports the achievements of the Corporate Strategy objectives: Tackling the housing crisis – Everyone has a decent home that is secure.

3.8. The contents of this report support the achievement of the following Housing Strategy 2020-26 objectives: Preventing Homelessness and meeting housing need, Improving the quality, standard and safety of housing and supporting our residents to live safe, independent and active lives.

4. Background

4.1. Across England, at the end of June 2023 105,750 households were in TA, which is an increase of 10.5% from June 2022. London is the epicentre of this crisis, with 57% of all TA placements nationally made by a London borough.

4.2. Many councils are experiencing financial challenges, with several warning of bankruptcy due to the cost of homelessness. There has been a recent unprecedented shortage in the supply of private rented accommodation across London, and nationwide, which has resulted in a significant rise in costs incurred by the Council to provide TA.

4.3. Research conducted by LSE Consulting and funded by London Councils, Trust for London, and Capital Letters, and published in July 2023, looked at the supply of private rented sector accommodation in London. The research found that rental listing have fallen across all bedroom types (by 36 % for 1, 2, and 3 beds compared to the 2017-19 average) and properties that were previously being advertised for rent prior to the pandemic, are now being advertised for sale. 'The proportion of 3, 4 and 5+ bed properties listed for sale that were previously listed to rent doubled from 2018-19 to 2022, and for 1 and 2 bed properties the proportion increased by a factor of 2.5'. Asking rents in London are 20% above the pre-pandemic levels and it has been increasingly difficult to find properties within local housing allowance rates.

4.4. Tenants are remaining in rental homes for longer periods of time, this is driven by the shortage of vacant homes and the high cost of homeownership. Landlords are reducing their portfolios, and smaller landlords are also leaving the market – these are the landlords who were more likely to let their properties to a council. The survey found that 40% of landlords who had let to tenants with low incomes in the past have reduced their exposure in the last two years.

4.5. Mayor & Cabinet approved an updated Accommodation Procurement Strategy in December 2022, setting out how the Council will ensure a sufficient supply of accommodation. The strategy also aimed to assist in managing accommodation pressures and help officers to make the best use of the resources available to them.

4.6. Despite this, managing the number of people in TA remains a challenging process because there is a continuing drop in supply of move-on accommodation in the private rented sector. This is placing significant strain on the Councils TA budget, which is forecast to overspend by £10m in 2023/24.

4.7. The number of households approaching the Council for assistance remains high, with the council receiving 2,224 homeless applications this year to date.

4.8. The shortage of affordable accommodation has led to an increase in the number of households needing assistance and the service being dependent on the use of nightly paid and hotel accommodation. This in turn means that the cost of TA has escalated considerably. The service has taken several steps to reduce the number of households entering TA, by focussing on early intervention work to avoid crisis and homelessness.

5. Current Position

5.1. As at the end of January 2024, there are currently 2,812 households in TA provided by Lewisham. Demand for TA comes from new households that are accepted as homeless and households that need to move from existing TA (e.g. because the landlord has decided to sell the property). If a homeless applicant meets all relevant criteria, the council has a duty to provide them with accommodation until a more permanent solution can be found. Given Lewisham's lack of availability of social housing, and record waiting lists for accommodation, the Private Rented Sector (PRS) is the only realistic route out of TA for most homeless households.

5.2. The council's Accommodation Supply Team are responsible for procuring accommodation from landlords willing to rent their properties to homeless households at housing benefit affordable rents. However, both the economic downturn in the last year and changing housing market are resulting in an increasing percentage of private landlords choosing to increase their rent in line with market prices or choosing to no longer rent out their properties resulting in them disposing of the properties altogether, as referred to in section 4 above. Some landlords, who officers are in touch with, report that they intend to sell their properties due to reduced cash flow caused by higher interest rates and changes to buy-to-let tax relief.

5.3. In the 2023 Autumn statement, the government announced that Local Housing Allowance (LHA) rates would be unfrozen from April 2024, and reset to cover 30% of local market rents, they will subsequently be frozen again.

5.4. LHA rates serve as the upper limits for housing support in private rented properties, applicable to claimants of Universal Credit and Housing Benefit. These rates are determined by the Department for Work and Pensions drawing on data provided by the Valuation Office Agency (VOA). LHA rates are set at the 30th percentile for market rents compiled by the VOA but have been frozen since 2020/21. A report commissioned by London Councils, prior to the rate increase announcement, estimated that an additional 16,500 to 22,000 London households would become homeless between 2023/24 and 2030/31 if the rates freeze continued.

5.5. Unfreezing the LHA rates will mean Universal Credit and Housing Benefit payments to 1.7m tenants in the private rented sector will increase from April 2024, this will help to prevent tenants on low incomes becoming homeless.

5.6. The Council's stock of TA includes 528 Privately Managed Accommodation (PMA) properties which are procured from private landlords on long leases and 269 Private Sector Leased (PSL) properties managed by the authority. The council has seen a significant increase in the number of these properties which landlords are requesting to be returned to them. As of 5th March 2024, there were 187 active notices for hand backs with further agents and landlords informing us of their intention to submit notices.

5.7. It is becoming increasingly difficult to find properties which meet the pan London Inter Borough Accommodation Agreement (IBAA) rates. Landlords are therefore exiting the TA market or requesting higher rates from councils in order to meet their costs. The council has become increasingly reliant on the use of nightly paid temporary accommodation, the mostly expensive form of TA. The use of nightly paid accommodation has risen to 1,067 in January 2024.

5.8. The drop in supply of rental properties across London also means that the number of households moving out of TA into the private rented sector has stalled. The proportion of rentals at LHA rates is down to 1.9% compared to 18.9% prior to the Covid-19 pandemic. This is driving the overall increase in the number of households in TA. The benefit cap is another factor impacting move on from TA. It places a limit on the maximum benefits that some households, such as non-working households, can receive. In London that limit is set at £25,323 per year for couples and single parents with children, and £16,967 per year for single adults.

5.9. Due to the cost of housing in London, the majority of non-working households are being capped because the housing element of their benefits uses up most of their entitlement before living costs are taken into account. Properties are therefore judged to be not affordable and consequently very few reasonable housing offers can be made. This is resulting in households spending longer in TA, which impacts supply.

5.10. The current stock of TA is spread across a number of local authorities. As at January 2024, 53% were in Lewisham and 47% in other boroughs. Of those outside of Lewisham, 89% are in London and 10% are outside of London.

5.11. The Housing Service is in competition with other council partners, organisations such as the Home Office and Ministry of Justice and provider/third sector organisations, who are able to access housing without being subject to pan London local authority rent cap agreements. This can mean that fewer landlords are interested in leasing their property to the housing service.

6. Addressing the Temporary Accommodation shortfall

6.1. The council is undertaking several measures to attempt to address the supply challenges faced by the service. This includes internally reviewing TA activity and implementation of several service improvement projects to ensure we are actively working to reduce our overspend forecasts. These ensure ensuring applications for housing benefit are made promptly and tightening processes around the management of rent accounts.

6.2. In December 2022 Mayor and Cabinet approved the councils new Accommodation Procurement Strategy, which sets out an action plan for meeting demand procurement activities that will be followed to sourcing properties, both for TA and/or for discharge of duty.

6.3. The strategy aims to provide enough housing in the private rented sector to prevent households at risk of homelessness from entering temporary accommodation, and for households in temporary accommodation who can be re-settled into the private rented sector.

6.4. Given the market challenge officers took a paper to the Executive Management Team meeting to advise of the risk that officers will not be able to procure enough properties to meet demand. This is highlighted as a corporate risk.

6.5. **Procuring new units of accommodation:** In 2023/24, there is a target to procure 200 units of temporary accommodation, currently 41 properties have been procured to the end of February 24, reflecting the struggles, as detailed above, to procure new accommodation. A further target is to procure 400 properties for the provision of private rented sector accommodation and 256 units have been procured to February 24. Work will continue to procure properties into 2024/25.

6.6. **Housing Acquisitions Programme:** In March 2023 Mayor and Cabinet approved the Housing Acquisition Programme for the purchase of up to 300 homes from the open market to increase the supply of TA. The properties will provide much needed, good quality accommodation in and close to the borough, which will be owned by the Council. This will enable the Council to have control over setting benefit-affordable rents, thereby avoiding the payment of a subsidy. At present, there are 30 units with accepted offers and 50 in discussion.

6.7. **Capital Letters:** In 2018 the council agreed to join Capital Letters, a pan-London initiative aimed at procuring homes across London in a joined-up way. The council has been an active partner and figures show 201 properties were offered to the council in 2021/22, and all–borough average was 288 property offers. Unfortunately, for many of the reasons detailed above, the numbers of properties becoming available through Capital Letters has also declined, and only 39 properties were offered to Lewisham in 2022/23 (the all-borough average was 54 properties). The council continues to work closely with Capital Letters to bring in as many properties for Lewisham households as possible.

6.8. **Empty Homes:** Work is ongoing to ensure empty properties in the borough are brought back into use as soon as possible, using a combination of support for landlords / owners, issuing Empty Property grants and carrying out enforcement action. In the past 6 months, the following work has taken place to increase supply; traced 2 long term empty property owners and currently working with them/supporting them to bring back their empty properties into residential use and granted three Empty Property Grants applications.

7. Temporary Accommodation Reduction Project

7.1. As the financial pressure began to emerge in 2022/23, the TA reduction project was established, with the aim of reducing the cost of TA services in Lewisham.

7.2. The aim of this project is to identify and extract efficiencies within the archetypal homeless customer journey by undertaking an end to end review from the point at which an individual/household approaches the service with a housing need to the point they exit the service either as a result of receiving an offer of social housing, accepting a private rented sector offer or the service not having a duty to accommodate the household under Housing legislation.

7.3. The project is forecast to deliver a cost reduction of £1m between 2023/24 and 2025/26.

8. 2024/25 and Future Focus Areas:

8.1. Despite the work undertaken in the TA cost avoidance programme there is a still a £10m pressure as per the Period 10 monitoring report. As part of budget setting for 2024/25, £8m of additional budget has been provided to close the budget gap. There is still an element of financial pressure likely to carry forward into 2024/25, as well as the risk that the number of people in TA could continue to increase due to demand on the service, despite the measures being taken as detailed in this report.

8.2. As part of the budget setting process, deep dives into budget pressures were agreed, including TA. As part of the deep dive, areas of consideration are:

- Trajectory of spend month by month over last 12 months: gross and net.
- Focus on hotel/B&B spend – the range and the average cost per night.
- Housing benefit recoup levels for each type of TA and collection rates against possible income to offset spend – housing benefit and service charges to households.
- Range of cost per household – single people through to large families.
- Range of cost depending on stay i.e. for example the 200 households that have been in TA the longest, what has been the total spend gross and net over that time period?
- What does the scenario modelling look like based on maximising prevention and move-on over the next 6-24 months.

9. Financial Implications

9.1. In 2022/23 there was a financial pressure of £4.9m on Housing, due to the cost pressure on nightly paid accommodation.

9.2. In the budget setting process for 2023/24, £3.5m was added to the budget. Despite this additional budget, there is a £10m financial pressure reflecting the increased demand and accommodation costs that the service is receiving. There is a total of £45m budget available to spend on TA, this is broken down as £34m rental or lease income, £6m General Fund base budget and £5m direct housing grant.

9.3. There is a limit (or cap) on how much Housing Benefit can be claimed by a client housed in a Local Authority administered TA unit. Local Authorities aim to agree rent rates with a TA accommodation provider within these rates, but where this can not be achieved and the rent exceeds the limit (or cap), the excess over the limit value is not supported by the DWP in benefit subsidy and the service is recharged the difference – which is know as the Limitation Recharge. The limitation recharge is a key contributor to the 2023/24 financial pressure, the recharge is forecast to total £17.2m, £6.2m more than the total for 2022/23 and £7.4m more than the 23/24 budgeted level. The forecast is based on the year to date with a forecast average increase of £0.3m per month until year end.

9.4. The remaining £2.6m pressure is due to £0.6m bad debt impairment, £0.4m additional incentive payments to Landlords over and above the budget level (aimed at reducing entrants to TA), £0.6m Private Sector Landlord stock repairs and £1m Milford Towers income which has been transferred to the HRA.

9.5. In 2024/25, £8m has been added to the budget as part of budget setting, aimed at funding the demand pressure that has arisen in prior years. Despite the additional budget, there are several risks over the medium to long term:

- Despite the additional budget there continues to be a net growth in service users due to additional demand and challenges finding suitable accommodation to move people into then there is likely to be a further pressure in 2024/25.
- If a household cannot be supported under the homeless legislation, in cases with children there is a potential knock-on effect to children social care who may have additional statutory duties to provide support including Non-Recourse to Public Funds.
- Landlords are likely to request increased rents as mortgage rates continue to increase, despite the unfreezing of the LHA rates.
- There is uncertainty over grant funding into 2024/25 such as energy grants to households and changes to the household support fund.
- The Housing Service is in competition with other council partners, organisations such as the Home Office and Ministry of Justice and provider/third sector organisations, who can access housing without being subject to pan-London local authority rent cap agreements. This can mean that fewer landlords are interested in leasing their property to the councils housing service.
- Lewisham is one of the most affordable London boroughs based on the proportion of 2 and 3 bed listings at or below LHA rate. This is likely to attract procurement activity from other boroughs who may discharge their homelessness duties by providing accommodation in Lewisham. The reapplication duty currently applies when a household at risk of homelessness accepts an offer of private rented accommodation (thereby ending the council's duty to help prevent them becoming homeless) becomes homeless again within two years. In this case, the local authority which offered the private rented accommodation owes the household the 'reapplication duty' and it is their responsibility to help secure accommodation for the applicant.

10. Legal implications

10.1. The council has a duty under the Housing Act 1996 (Part VII), as amended, to ensure that accommodation is made available for homeless applicants who are owed a full housing duty by the council. Where the council determines under the provisions of the Housing Act 1996 Part VII (as amended) that a person/household is eligible for assistance, homeless, in priority need and not homeless intentionally, it has a duty to secure suitable accommodation (unless it refers the applicant to another authority under the local connection provisions). Furthermore, The Homelessness Reduction Act 2017 places a duty on Local Authorities to intervene at an early stage to help prevent homelessness and take reasonable steps to relieve homelessness for all eligible applicants, not just those in priority need.

10.2. The Council is under a duty to maintain a balanced budget. Pursuant to section 28 of the Local Government Act 2003, the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.

11. Equalities implications

11.1. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

11.2. There are no equalities implications directly arising from this report.

12. Climate change and environmental implications

12.1. There are no specific climate and environment implications directly arising from this report.

13. Crime and disorder implications

13.1. There are no specific crime and disorder implications directly arising from this report.

14. Health and wellbeing implications

14.1. There are no specific health and wellbeing implications directly arising from this report.

15. Background papers

15.1. Temporary Accommodation Supply and Pressures

15.2. https://councilmeetings.lewisham.gov.uk/documents/s112859/04. Temporary Accommodation - Supply and Pressures 040124.pdf

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17. Appendices

17.1. n/a

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