

## SCRUTINY PANEL MEETING 17<sup>TH</sup> JULY

### TEMPORARY ACCOMMODATION COST PRESSURES

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#### 1.0 Introduction

- 1.1 At 31<sup>st</sup> December 2016 there were 2,801 households in Temporary Accommodation either managed or placed by the Council. This is an 18% increase for the year, and 70% increase in 5 years. In addition to the volume of properties, the price/cost of TA has increased from the subsidy rate of 90% LHA (£270p.w.) to now include £40 management fee plus £25, plus a contract incentive of £2,000. This equates to £351p.w. an increase of 30% and £4,252 p.a. per property. Whilst the lease cost of hostels is less, there are additional management costs which reflect a similar cost and increase.
- 1.2 In 2013 only 15% of TA was on a (expensive) nightly paid basis, increasing to nearly 40% in 2016. In addition, we have had to increase the rates paid on properties to keep pace with the market, and without a comparative increase in the rent charged/HB subsidy rate. This all results in the cost of service doubling from £5.6m to £11.9m (an average of £4,000 per property).

**Table 1 – Cost of TA and Housing Needs Service**

	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
Expenditure	41,392,282	34,616,594	25,929,284	25,143,529	17,843,291
Income	(35,139,871)	(28,541,546)	(22,426,699)	(23,327,735)	(16,687,786)
<b>Net cost of TA</b>	<b>6,252,411</b>	<b>6,075,048</b>	<b>3,502,585</b>	<b>1,815,794</b>	<b>1,155,505</b>
No. in TA	2,885	2,502	2,056	1,795	1,651
Prevention	4,245,982	4,288,842	5,268,787	5,714,294	4,509,760
<b>TOTAL cost of service</b>	<b>10,498,393</b>	<b>10,363,890</b>	<b>8,771,372</b>	<b>7,530,088</b>	<b>5,665,265</b>

- 1.3 The homeless pressure and demand for Temporary Accommodation is being experienced by all London boroughs which resulted in landlords being able to create a bidding war for properties. The pan-London rates have gone some way to harmonising this, but as a demand lead service, sometimes authorities have to pay above the agreed rates.
- 1.4 Despite the increase in rates for PSL properties plus the contract incentive, there has been limited uptake of Private Sector Leases, with landlord preferring to risk nightly paid for the opportunity to increase rates. This has also driven an increase in Bed and Breakfast, as these are the only affordable/available properties or the option of out of borough placements.

## 2.0 Cost Saving/Mitigation

Hostel at 47 Lea Bridge Road - The Council acquired a 56 room hotel previous used by Westminster Council for £6.5m. Whilst this was considered high for the development potential, it was purchased because of the £570,000 p.a. cost avoidance of TA.

Council Buildings - Median Road (ASC day centre) was converted to 37 unit shared facilities hostel for TA avoiding £185k p.a and generating £500k rental income. The agreement is for 2 years whilst ASC appraisal alternative options for service provision but Housing Needs is seeking permission to continue the use of the facilities.

Seal Street was converted from an office to 7 self-contained properties for use as TA, resulting in savings of £150k.

Other Council own properties, both HRA and GF, have been considered for use or conversion to TA, but have been used for other Council priorities.

Regeneration voids - The Council is undergoing 2 extensive regeneration programmes that require the decanting of existing HRA properties. At any time there can be up to 700 decanted properties. As some of these properties can be vacant for up to 3 years, they are refurbished to a safe, secure and watertight condition (not Decent-Homes standard) and occupied by homeless families under a licences i.e. not a tenancy. There is currently 309 Regeneration voids in occupation saving the Housing Needs service which provides cost avoidance of £1.8m plus generating £1.5m income for HRA. However, there have been repairs cost (capital) to bring properties to lettable condition.

Peer Landlord Scheme – There are 2 large HRA properties at Clapton Common and Greenwood Road that have been vacant for a number of years as they were not cost effective to renovate/convert for general needs properties. Following discussions with Thames Reach about their Peer Landlord scheme, which provides a peer tenant to provide support to other tenants on each scheme a business case has been put forward to use these properties at Clapton Common and Greenwood Road for a peer support scheme. Whilst these schemes will generate a small rental, there is cost avoidance of TA of £85k

Lease of Hostels - There have been a number of hostel and residential properties offered to the Council for use as TA, both in the borough and outside of London. Each property is evaluated for operational, demand and cost. These properties is marginally (financially) beneficial allowing for the additional cost of staff, insurance and security, but the operational benefit of the property in the borough provided strong support for the property.

### **3.0 Future Pressures**

#### TA management Fee changes

The current HB limit and therefore rental charge for TA is calculated at 90% of LHA (Jan 2011) plus £40 management charge. For the Majority of Hackney, this is £256 p.w for 1 bed and £310p.w. for 2 bed. Due to the increase in TA and the cost to the government's welfare bill, through HB subsidy, from April 2017 the £40 management charge is being removed from the HB subsidy and collated into a Homeless grant, initially calculated by inflating the 2015 TA levels/management fee. The details of the grant and its calculation have not been finalised, but it is believed that will cover the total management fee, both that paid by HB and rent paying clients in TA. Therefore there is likely to be an initial increase in amount received, but the government have indicated that the grant will not increase further for additional TA, and will be redistributed in future year to those authorities reducing numbers in TA.

It has been modelled based on the limited information available, that the initial grant will be £4m. In 2017/18 this will fund the shortfall in HB subsidy for TA of £2.5m. However, with a 15-18% increase in TA each year, this value of grant will be fully used in 3 years, without any redistribution/reduction of the grant.

#### Homelessness Reduction Bill

The HRB proposes a number of changes to in effect try to move homeless prevention upstream, dealing with housing needs at the earliest possible stage. However, this will place additional pressures on Local Authorities, not only the additional staffing cost to provide Housing Plans but the additional duty to provide emergency accommodation for people threatened with homelessness from 28 to 56 days. It is estimated this could add up to £11m on the cost of the service. The government has indicated that this will be fully funded, but have started to exclude costs and uplifts resulted on additional pressures to the Council.

#### Universal Credit and Benefit Cap

As a result of benefit cap reduction in November 2016 and the roll out of Universal Credit in June 2018 there is likely to be an increase in the arrears of people in TA with benefit not covering the cost of accommodation. In addition, both the HB cap and UC will limit the affordability of private rented housing in the borough forcing more families to apply to the Council as Homeless, and with the HRB the Council will have a duty to house and require more TA.

#### Supported Housing

With the assessment for Supported Housing being restricted to those in the high support need, will be an increase in the number of homeless approaches from people with low and medium support needs, particularly those with physical disability and low level mental health issues. Therefore 'specialist' TA may become a necessity to provide these clients with the accommodation to meet their care needs.

## Fire Regulations

With new fire regulation being introduced following the review of fire at the Southwark tower block, there will be further investment required in all of the Council's hostel accommodation to meet these new standards. If there is an increase in people in TA with low level care needs, as identified above, further investment will also be needed to meet their requirements.

### **4.0 Financial Projections**

- 4.1 Continuing the current service and activities is not an option as unless there is a significant change in the housing market or housing legislation, homeless approaches will continue and the forecast impact on the Housing Needs budget is shown below.

<b>Forecast</b>	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Actual	Budget	Forecast	Forecast
Expenditure	31,365,987	28,273,605	32,399,603	39,324,135	45,924,135
Income	-28,541,546	-25,035,881	-25,067,968	-29,162,968	-33,062,968
TA mgmt. fee grant			-4,200,000	-3,600,000	-2,800,000
Net cost of TA	2,824,441	3,237,724	3,131,635	6,561,167	10,061,167
No. in TA	2,502	2,885	3,285	3,600	3,900
Prevention	4,288,842	4,245,982	5,494,532	5,500,000	5,500,000
TOTAL cost of service	7,113,283	7,483,706	8,626,167	12,061,167	15,561,167

- 4.2 The TA management fee grant, to replace that element of the TA rent and HB subsidy, covers all the TA properties, not just those that receive Housing Benefit. Therefore in 2017/18 the grant is around £800k more than the loss of income/HB subsidy. A business case has been produced to build capacity in the move on team to find settled accommodation for those in TA, with a particular focus PRS offers and support in the bidding process, resettlement support for Out of London offers and increasing the number of direct offers to those in TA that are not actively seeking permanent/settle accommodation. All of these move on options are also supported by Ways into Work support to help find suitable employment.

4.3 The cost of this additional resource totals £711k and is spread over 2 years, when the impact of them will be reviewed. Adding this resource and the potential outcomes into the forecast is shown in the table below.

<b>Forecast - including move on team</b>	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Actual	Forecast	Forecast	Forecast
Expenditure	31,365,987	28,273,605	30,199,603	34,594,135	37,894,135
Income	-28,541,546	-25,035,881	-23,767,968	-26,367,968	-28,317,968
TA mgmt. fee grant			-4,200,000	-3,600,000	-2,800,000
Net cost of TA	2,824,441	3,237,724	2,231,635	4,626,167	6,776,167
No. in TA	2,502	2,885	2,885	2,885	2,885
Prevention	4,288,842	4,245,982	5,494,532	5,500,000	5,500,000
Move on team			373,674	338,104	300,000
TOTAL cost of service	7,113,283	7,483,706	8,099,841	10,464,271	12,576,167
Reduction in service cost			526,326	1,596,896	2,985,000