

**London Borough of Hammersmith &
Fulham**

**THE ECONOMY, HOUSING AND THE ARTS
POLICY & ADVISORY COMMITTEE**

28th January 2019



GROWTH AND PLACE: TEMPORARY ACCOMMODATION PRESSURES

Report of the Cabinet Member for Housing

Open Report

Classification - For Information

Key Decision: No

Other services consulted: None

Wards Affected: All

Accountable Director:

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1. EXECUTIVE SUMMARY

- 1.1 Hammersmith & Fulham Council, in common with many other London Authorities, increasingly finds itself in a challenging position to balance costs associated with Temporary Accommodation (TA) procurement and management while acquiring an affordable supply of accommodation to meet the growing demand for housing.
- 1.2 This council currently has responsibility for 1,406 homeless households (as at 15th January 2019) living in TA. The majority are living in TA acquired via managing agents in and around the neighbouring boroughs. There are currently 647 TA households living in this borough.
- 1.3 Managing Agents are requesting annual increases in rents, due to the growing gap between the Council's offer of local housing allowance and the market rents. It is becoming increasingly challenging to retain a cost-efficient TA portfolio and maintain this Council's achievement of zero families in bed and breakfast or any form of nightly accommodation since May 2015
- 1.4 Hammersmith and Fulham has 2,546 applicants on the housing register (as at 14th January 2019). The register includes tenant transfers (684). There are approx. 600 council and housing association homes to let each year. This means that less than 24% of people on the register will receive an offer of permanent housing each year. The need to temporarily accommodate households on the housing register as well as households approaching the council for housing assistance informs the demand for additional TA
- 1.5 This report sets out the challenges in delivering services to fulfil the Council's statutory obligation to provide suitable and affordable TA in the face of welfare reform changes, rising accommodation costs and decreasing availability of in-borough accommodation.
- 1.6 It explains the challenges and the impact on General Fund budgets and the mitigating activity being carried out. This will support the work of continuing to avoid placing families in B&B and placing as many people as possible in or close to the borough. However, inflationary pressure, lack of supply and the impact of universal credit could impact on that work and result in more households placed away from the borough and out of London to meet our duties and control costs.

2. RECOMMENDATIONS

- 2.1. The Committee is requested to review and note the contents of the report.

3. BACKGROUND

- 3.1 The Housing Solutions Service within the Growth and Place directorate continues to face the significant challenge of delivering and enhancing front-line services in the face of increasing demand within the budget envelope available.
- 3.2 The demand for affordable housing in Hammersmith and Fulham continues to be one of the major challenges that the Council faces with a high percentage of households approaching for housing assistance following eviction from the private sector due to inability to afford the high rents in the borough
- 3.3 The number of available social housing permanent offers to TA households is not projected to increase. The most direct and reliable way to reduce the number of households in TA is to enable households to live in the Private Rented Sector rather than TA accommodation. The law permits the Council to discharge its homelessness duty if it can broker private sector tenancies that are affordable and suitable to the households needs
- 3.4 Welfare reform changes and the implementation of Universal Credit (UC) has exacerbated the position. Following the introduction of the overall benefit cap in April 2013, further limits were introduced in November 2016. The limits are currently £442.31 for a family living in London (equivalent to £23,000 per annum) and £384.62 if living outside of London. Single households saw their limits reduced to £296.35 if living in London (equivalent to £15,400 per annum) and £257.59 if outside of London. Accommodation costs have been further reduced for single households under the age of 35 who are now only eligible for the Single Room rate – making studio and one-bedroom properties unaffordable for unemployed single households.

4. Universal Credit Implementation

- 4.1 The introduction of Universal Credit (UC) has negatively impacted the existing challenges. While the overall principle of UC should have a positive effect on households - enabling financial independence – the outcome has seen a rise in foodbank use, rise in arrears and complexities around income collection and the need for alternative payment arrangements to enable rent payments to go direct to the local authority. Current UC rules dictate that rent payments must be made to the applicant in the first instance. Local authorities can then apply for an Alternative Payment Arrangement (APA). This enables the Department for Work and Pensions (DWP) to make payments direct to the local authority. Payments are always in arrears and at times, do not cover the entire rent – dependant on the family's subsistence requirements.

5. Homelessness Reduction Act Implementation

- 5.1 The service continues to respond to the major changes and constraints on income collection brought about by the Government's programme of Welfare

Reform and increasing demand as a result of the Homelessness Reduction Act, implemented in April 2018, with duties expanded by the Duty to Refer, implemented in October 2018. December 2018 saw the highest number of third sector referrals since implementation – demonstrating a steady increase in referrals – total of 195 received – 78 in December alone.

- 5.2 The implementation of the Homeless Reduction Act has placed a duty on Councils to provide TA to a previously ineligible client group. In order to meet demand and provide suitable and affordable TA for households approaching the Council for housing assistance, the service must procure accommodation below market rents and incentivise landlords to encourage them to let properties to homeless households.
- 5.3 These changes have resulted in a 137% increase in households approaching the service for housing assistance between April 2018 – December 2018. In the YTD the service has received 2,148 enquiries (compared to 905 for the same period last year). Increased staffing resources at the prevention stage has meant that the current increased volumes have not resulted in increased TA placements to date. However, there is a risk of an increased need for TA going forward as additional interim staffing arrangements come to an end March 2019.
- 5.4 These additional duties have increased the financial pressure on the incentive provision. The current incentive amounts are lower than some of the other London boroughs. As a result, landlords are requesting higher incentives and if not agreed, properties are being made available to higher paying authorities.

6. Loss of TA management fee on housing benefit subsidy and associated grants

- 6.1 The Flexible Homelessness Support Grant provided by central Government is currently cushioning the Council from the impact of the removal of the management fee for Temporary Accommodation (£40 per London properties and £60 out of London). This and other related government grants will diminish next year and potentially disappear from 2020/21 as Government has not confirmed any further allocations beyond that date. There is therefore a risk of a potential loss of income for the General Fund due to the removal of the TA management fee from housing benefit subsidy entitlement from April 2020. This is estimated to potentially cost the Council £1.8m in 2020/21, £1.9m in 2021/22 and £2.0m in 2022/23.
- 6.2 Unless demand can be controlled and the number of households in TA reduced to offset the impact of these grant funding reductions, the service will need to be subsidised to a much greater extent from the General Fund. The additional potential impact on the General Fund solely in terms of the reductions in grant funding is expected to be between £4.2m and £9.3m over four years from 2018/19. These scenarios are shown in the table below. The table shows the additional grant allocations that have been confirmed by Government up to and including 2019/20.

Temporary Accommodation Grants	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total Grant Income Loss
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
MHCLG Homelessness Prevention Grant - Trailblazer	85	240	279				
MHCLG Flexible Homelessness Support Grant	0	3,527	3,381	2,805			
DWP Universal Credit Local Authority Universal Support Grant	0	99	90				
MHCLG New Burdens Grant - Homelessness Reduction Act	0	225	206	195			
DWP UC New Burdens Funding	0	0	71				
All Temporary Accommodation Grants	85	4,091	4,027	3,000	0	0	
Loss of Grant Income relative to 2017/18							
Worst Case Scenario			(64)	(1,091)	(4,091)	(4,091)	(9,337)
Assuming known 2019/20 allocations only reduce by 10% each year in future					2,700	2,430	
Best Case Scenario			(64)	(1,091)	(1,391)	(1,661)	(4,207)

7. Increases in TA rents and procurement costs

- 7.1 Market rents continue to rise and has made it increasingly challenging to procure in-borough TA. The TA portfolio historically reflected 60% in-borough accommodation and 40% out of borough. The current portfolio has moved to the other percentage – 60% out of borough and 40% in borough. This number includes Temporary on Licence (TOL) properties on designated regeneration sites e.g. Earls Court.
- 7.2 Portfolio landlords are demanding increased rents and incentive payments over and above Local Housing Allowance rates and the Flexible Housing Support Grant replacing the management fee e.g. rents to one landlord – Local Housing Allowance rate plus £45-£65 management fee and incentive payments between £1.5k and £3k

8. Keeping families out of Bed & Breakfast accommodation

- 8.1 The Council has successfully managed to protect homeless families from being temporarily housed in B&B accommodation and had previously complied with the legal requirement of not keeping homeless families in B&B for longer than six weeks since October 2015. Increasing demand for in-borough accommodation and diminishing supply could see a return to expensive, unsuitable B&B accommodation.

9 RISKS AND FINANCIAL IMPLICATIONS

- 9.1 There is a risk of inflationary pressures on costs because of increased demand for TA across London. The risk is based on an additional 1.5% increase in costs over and above the inflation already budgeted for in 2019/20 and a further 1.5% increase for each year following. This results in a risk of a further £0.3m in 2019/20 and £0.5m in 2020/21 and £0.8m in 2021/22 and £1m in 2022/23
- 9.2 Incentives - Historically the funding of these has been enabled by Cabinet approval of underspend carry forward requests. This may be possible in 2018/19 but it is unlikely that there will be an underspend in future years. The minimum annual cost of £0.6m will continue to be funded from the TA earmarked reserves while available
- 9.2 The Government's programme of Welfare Reform, namely UC, is expected to have a significant impact on the Council's ability to collect rental income and may result in increased bad debt charges to the General Fund. However, the risk of an unbudgeted bad debt charge is diminished in future years because although existing Universal Credit claimants in temporary accommodation remain on UC, all new benefit claims are no longer subject to Universal Credit (since April 2018) and instead, claimants are subject to Housing Benefit subsidy which is paid directly to the Council.
- 9.3 In addition, the loss of suitable tenancies in the private sector, arising from welfare reform measures some of which are now fully in place, could lead to a risk of increased homelessness and greater use of expensive temporary accommodation such as Bed & Breakfast (B&B)
- 9.4 The increasing demand pressures arising from the Government's programme of Welfare Reform and legislative changes mean that there is a risk that the Council may face increasing costs housing families in B&B estimated at £0.2m in 2019/20, £0.2m in 2020/21 and £0.3m in 2021/22. Overall Benefit Cap - projected financial impact on General Fund budgets - £100k. In addition, potential UC risk - £35k. (overall risk reduced as TA households are now exempt from UC)
- 9.5 Reduced viability for TA currently managed by Housing Associations, leading to loss of income for the Associations and potential knock-on effects for the authority in the need to provide alternative temporary accommodation – the TA management fee has been taken away from Housing Associations as well as local authorities. Housing Associations now need to claim the subsidy from Local Authorities. This reduces the viability of the Housing Association Leasing Scheme.
- 9.6 Loss of tenancies in the private sector or direct loss of income in Council managed TA arising from the direct payment of benefits to claimants in receipt of Universal Credit and, again, with the potential risk of increased homelessness and the use of B&B

- 9.7 Loss of income for the Council due to the removal of the TA management fee from housing benefit subsidy entitlement from April 2017 (see section 6)
- 9.8 Increase in staffing and procurement costs due to the implementation of the Homeless Reduction Bill which places additional duties on the Council to prevent homelessness.
- 9.9 Increased client numbers as a result of the implementation of the Homelessness Reduction Act (see section 5)
- 9.10 Recent years have seen increases in client numbers in TA and this trend is expected to continue. After taking account of the mitigating impact of homelessness prevention activities it is expected that numbers in Private Sector Leased (PSL) and Bed & Breakfast (B&B) accommodation will drop next year but then increase in future years. The forecast total number of clients in temporary accommodation for future years is expected to reach 1,449 (March 19), then drop to 1,250 (March 20) before steadily climbing to 1,300 (March 21) and 1,350 (March 22). This means there is a risk of further net costs of £0.1m in 21/22 and £0.3m in 22/23
- 9.11 There is also a risk that homelessness acceptances will increase in future years above this level due to legislative changes. On the assumption that the number of new homelessness acceptances increases by 100 per annum on an ongoing basis, the net cost will increase by £0.6m in 2019/20 and £1.2m in 2020/21, rising to £1.8m from 2021/22.
- 9.12 MTFs General Fund Savings to be delivered in 19/20 - TA reduction programme and investment in private rented sector properties is expected to realise £250k saving target. A reduction in Housing Solutions staffing costs is expected to realise £141k saving.

10. MITIGATION

The following activities that will help mitigate these risks are planned:

- 10.1 A robust TA reduction programme is in place to reduce the financial impact of this accommodation type. TA trajectory reports being produced to track performance and highlight areas for targeted focus. A cabinet paper has recently approved an investment in private rented sector accommodation to reduce numbers in TA, however assuming this mitigating procurement strategy is successful, there remains a risk of a net loss of income on the General Fund of at least £2.1m and potentially up to £7.2m over the same period. (see section 6)
- 10.2 Capital Letters – This is an ambitious Government and London Councils sponsored scheme to centralise the procurement of TA and Private Rented accommodation from private landlords. The business plan has now been

finalised and a report has been submitted to cabinet requesting approval to join.

- 10.3 Capital Letters will procure new properties on behalf of London boroughs supported by the Ministry for Housing, Communities, and Local Government (MHCLG). It will allow a more rational allocation of supply across London, allowing households to be housed closer to placing boroughs. Properties are expected to be a mixture of Private Rented Sector (PRS) properties let by the property owner to households by the boroughs, and properties leased directly from landlords or from managing agents. Effective access to the private rented sector will relieve the pressure on TA supply, reducing expenditure.
- 10.4 Interim staffing structure was implemented to prepare for the Homelessness Reduction Act 2017 and temporary roles are budgeted to end in March 2019. A full-service review is underway to establish the interim structure and review overall service delivery to ensure a robust response to the new legislation, ensure legal compliance and provide greater emphasis on preventing and relieving homelessness. Government New Burdens funding will mitigate against a negative impact on current budgets.
- 10.5 In light of the current budget pressures for 18/19, a review of the TA provision has been carried out to ensure that the best possible value for money is being achieved from available resources. This will include looking at opportunities to invest in a private rented sector portfolio and looking at changing the mix of the current TA portfolio, moving away from short term monthly leases to look for longer term ways to mitigate the cost pressures.
- 10.6 The Social Lettings Agency has delivered increased numbers of private rented accommodation as well as more cost-effective TA. The service offers a tenancy relations service to private landlords as well as other landlord services e.g. Energy Performance Certificates (EPC) to generate income.
- 10.7 Continuing to use buybacks in the Earl's Court regeneration area for use as affordable in-borough TA
- 10.8 Increasing the supply of social and affordable housing is crucial to the success of any strategic approach to managing the TA process. Low turnover in social housing (in common with all of London) has slowed the TA move on process and resulted in more households remaining in TA for longer periods – compounding the need for additional TA units. The Council plans to increase affordable housing, reducing pressure on TA budgets by providing permanent lower cost homes through direct delivery, partnership with housing associations and working with developers through the planning process
- 10.9 A new trailblazer service will support and enable tenants to gain exemption from the Benefits Cap through: Training and qualifying employment; Disability/Carers benefit where possible; Crowd funding arrangements in partnership with BEAM (a service that fund-raises for employment and training for people who are homeless or at risk of homelessness. It provides end-to-end, personalised support into skilled, secure and well-paid jobs) to give

financial assistance to unemployed tenants with a view to gaining employment leading to tenancy sustainability and greater affordability.

- 10.10 Work with the DWP, tenants, colleagues and the voluntary sector to ensure UC claims are assessed correctly and paid to the Council in an alternative payment arrangement, or facilitate switch-back to Housing Benefit (HB) for TA households (where appropriate) to assume more control over benefit claims.

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location

LIST OF APPENDICES:
N/A