

Haringey Council

Agenda item:

[No.]



Report Title: Update on Temporary Accommodation	
Report of: Anne Lippitt, Interim Director of Place & Sustainability	
Signed: <i>Phil Harris for Director</i>	Date: <i>14/3/2011</i>
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Wards(s) affected: All	Report for: Key Decision
<p>1 Purpose of the report</p> <p>1.1 Changes to the Housing Benefit Subsidy Regulations affecting Temporary Accommodation (TA), implemented in April 2010, have placed considerable pressure on Haringey's TA budget.</p> <p>1.2 In October 2010, the Cabinet considered a detailed report which set out the circumstances which led to the current deficit situation and it was agreed a further update would be provided which sets out the actions being undertaken to reduce the deficit and to minimise the impact on the Council's overall financial position.</p> <p>1.3 The purpose of the report is to provide that update.</p>	

2. Introduction by Cabinet Member

- 2.1 The Council faces a tough challenge in relation to the temporary accommodation budget. A great deal of hard work has already been put in over the last couple of years to reduce the Council's use of temporary accommodation, re-negotiate rents and renew leases on terms that are more favourable to the Council.
- 2.2 We still have much to do but I am confident that, if we continue to work in the same way, we will further reduce the budget deficit and improve property standards. The feedback received from the Temporary Accommodation Users Forum is very positive and confirms we are heading in the right direction.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

- 3.1 The actions taken to minimise the Council's financial exposure will help meet the following priorities in the Council Plan:

Priority 3 - A Thriving Haringey

Improving housing conditions in the private sector and in the Council's stock of permanent and temporary accommodation, to provide families and vulnerable households with the stability they need, making it easier for them to maintain their links with schools, healthcare professionals and support networks.

Priority 5 –Driving Change, Improving Quality

Improving value for money through more cost-effective procurement, rent negotiations with private landlords and more effective use of the Council stock.

4. Recommendations

- 4.1 It is **recommended** that Cabinet:

- (a) Notes and supports the action that Officers have taken in order to reduce the cost of procuring and managing temporary accommodation and minimise the Council's financial exposure; and
- (b) Considers whether or not there are any additional measures it would like the Council and its partners to put in place to further mitigate the impact of the Housing Subsidy Regulations on the Council's finances.

5. Reason for Recommendations

- 5.1 The Council has a statutory duty to provide homeless households with TA in accordance with the Homelessness Act 2002.

- 5.2 At its height in December 2006, the number of households in Haringey's TA reached 5,909. However, through increased homelessness prevention and more effective use of the private rented sector, this number was reduced to 3,296 by the end of December 2010.
- 5.3 Prior to April 2010, the subsidy regime enabled the Council to recover the rents paid to suppliers for temporary accommodation and any associated costs. At the time of the announcement of the changes, it was estimated that, under the new regime, £7m of the rental costs incurred by the Council each year would not be eligible for reimbursement through subsidy.
- 5.4 During the last couple of years, the Housing Service has undertaken a substantial amount of work in order to reduce costs. This has included moving households to alternative cheaper accommodation, re-negotiating prices with housing suppliers, resettling households in the private rented sector and looking at alternative forms of TA supply such as supplier managed private sector leased accommodation.
- 5.5 In April 2010, the Department for Work and Pensions announced additional changes in the Housing Subsidy Regulations, capping the subsidy levels on 4 and 5 bedroom homes. The cost to Haringey of these late changes to the subsidy regime was a further £300,000 per annum. The current overspend against the existing budget is projected to be £2.6m in 2010/11.
- 5.6 Housing Services has continued to drive down costs through its subsidy mitigation plan, referred to in the October 2010 Cabinet Report.
- 5.7 Successful negotiations with existing suppliers have enabled the Council to reduce the rents payable on its existing private sector leased stock. The Council has successfully negotiated almost all of its nightly charged stock of Annexes to a level equivalent to, or below, the Local Housing Allowance (LHA).
- 5.8 The new Regulations allow Councils in London a weekly management fee of £40 per unit; this is £20 lower than allowed for local authorities outside London. At present, this £40 is insufficient to meet all of the running cost for TA services.
- 5.9 **Appendix A** provides details of Haringey's TA portfolio, together with a summary of what the Council expects to spend on TA during 2011/12.
- 5.10 It is forecast that £33.9 million will be spent on Annexes, PSL and Housing Association accommodation in 2011/12 and that, after taking into account the income received in Housing Subsidy, the net cost of TA (for the Council) will be approx. £4.2 million. This includes an annual Housing Benefit Administrative Charge of £1.6 million and TA-related staffing costs of just over £2.5 million, but excludes any corporate recharges.
- 5.11 The Housing Service as a whole has taken steps to reduce its annual service costs. It will reduce costs in 2011/12 by nearly £2 million, made up of pre-agreed savings of £1.52 million and new savings proposals of £0.43 million. Additional savings are expected to be achieved, in 2012/13, as a result of the second phase of the restructure.

- 5.12 Following representations from a number of London boroughs including Haringey, the Government has provided local authorities in London with £10m to mitigate the effects of the Local Housing Allowance 'caps' (including 'outward migration' from Central London) in 2010/11. Haringey has been awarded £400,000 from this funding pot and it will use this extra funding to reduce the TA housing subsidy deficit, although it seems unlikely that there will be any additional funding available in 2011/12.

6. Other Options Considered

- 6.1 The Housing Service has considered and evaluated the potential savings that might be achieved by contracting out some or all of the tenancy management of the Private Sector Leasing stock to a private contractor. The evaluation has concluded, however, that the Council's in-house tenancy management team is currently delivering this service for a lower cost than what is being offered by the private sector.
- 6.2 Although the contracting out of the management of the Council's PSL stock would present significant risks to the Council if landlords started to withdraw from the leasing arrangement and the supply of TA reduced, all available options will continue to be considered where they offer the opportunity to reduce the Council's costs and/or financial exposure.
- 6.3 At present, the priorities are to:
- Work with housing association partners to minimise the impact of the subsidy changes to be introduced in April 2011. There is the potential to reduce the Council's financial exposure by up to £400,000 per annum
 - Work with new suppliers and other London boroughs to achieve further improvements to the TA procurement arrangements with a view to achieving even better value for money and procuring alternative, less expensive types of temporary accommodation
 - Work with providers of supplier managed private sector leased accommodation to increase supply
 - Explore the opportunities to procure suitable, good quality TA (with effective management and housing-related support) in other parts of the country where the full cost of providing TA can be met within the existing subsidy regime.

7. Summary

- 7.1 Strategic & Community Housing Services has continued to work on a subsidy mitigation plan since the matter was last considered by Cabinet in October 2010.

7.2 The subsidy mitigation plan has six key elements:

(a) Reducing the use of higher cost nightly-purchased Annexes

As at 31 January 2011, the Housing Service was using 791 nightly-purchased Annexes (previously called Emergency Accommodation).

As almost one hundred units of the most expensive Annexes have been handed back to suppliers in 2010/11 – producing full year savings of £229,000, compared to a target of £140,000 – almost all of the Annexes used by the Council are being purchased at, or below, Local Housing Allowance.

The small number of higher cost Annexes are, in the main, properties that have been procured to meet the specific needs of homeless households in terms of disabled facilities or the proximity to health care or support networks.

(b) Reducing the cost of most expensive private sector leased units

The Council has a total stock of Private Sector Leasing (PSL) units of approximately 1,600 units.

As the TA subsidy system is based on rents equivalent to 90% of the Local Housing Allowance (LHA), the Council is seeking to procure PSL accommodation (where possible) at, or below, this amount.

By 31 December 2010, the owners of 454 leased homes had reduced their rents, producing full year savings of £350,000 compared to the original target of £250,000.

At present, three quarters of the PSL properties leased by the Council are being leased at, or below, the equivalent of 90% of the LHA rates.

(c) Minimising private sector leased voids

The number of voids in private sector leased properties reduced from 180 to 90 during the year. This has helped the Council to maximise the rental income received from TA.

(d) Working with housing associations to procure alternative TA

A portfolio target of 300 additional homes was set for the Housing Association Leasing Scheme (HALS). Unfortunately, due to a lack of supply, the housing associations have delivered only 46 of the 300 units promised.

The housing associations' disappointing performance has prevented the Council from reducing its TA costs by handing back a large number of its most expensive PSL properties.

As the base budget factored in the target of 300 units, it has been necessary to increase the Council's use of Annexes at LHA rates, in order to partially mitigate the financial impact of the lower-than-anticipated supply of HALS properties.

(e) New supply of inexpensive Annexes

The subsidy mitigation plan set a full year target of procuring 100 new inexpensive Annexes. This target will be achieved by the end of March 2011.

Without this new supply of inexpensive Annexes, the Council's annual expenditure on TA would have been approximately £200,000 higher.

Haringey is now in advanced discussions with three other London boroughs with a view to arranging the joint procurement of Annexes on the same terms in relation to price and standards.

(f) Increasing supplier managed private sector leased properties.

A portfolio target of 400 homes was set for the supplier managed private sector leasing scheme. Unfortunately, as with HALS, difficulties in procuring new supply have meant that the housing suppliers have delivered only 150 of the 400 units promised.

As the base budget factored in the target of 400 units, it has been necessary to increase the Council's use of Annexes at LHA rates, so as to partially mitigate the financial impact of the lower-than-anticipated supply of this type of TA.

Emerging pressures

- 7.3 There are a number of emerging budget pressures that have had to be addressed since the implementation of the subsidy changes in April 2010.
- 7.4 The next twelve months present a challenging period for TA as fluctuating housing market conditions will have an impact on the cost and availability of TA which will, in turn, have an impact on the budget. It remains very difficult, however, to predict with any certainty the impact that these changes will have on Haringey and the extent to which the Council's actions will mitigate their impact on the TA budget.
- 7.5 Although it is known, for example, that private sector rents in Haringey increased by 25% in the year to September 2010, it is not yet known what impact this will have on the rents that the Council is able to negotiate with individual landlords and housing suppliers in the future. It is hoped, however, that the Council's efforts to control rents will be assisted, in part, by the proposed joint procurement initiative with other boroughs.
- 7.6 When the government announced its intention to review the subsidy arrangements affecting housing associations providing TA, it indicated that there would be a two year lead-in time for this to afford councils and housing associations sufficient time to review and adjust their TA portfolio. However, the government has since decided to implement these changes, a year earlier, from April 2011. The Council is working closely with housing associations to minimise the impact on the TA budget which, if not mitigated, could amount to as much as £600,000 per annum.

- 7.7 A further pressure that has emerged since the Cabinet discussions in October 2010 relates to the serious shortage of TA. Further work is being done to establish the cause of this decline in supply but it appears to be due to a combination of factors, including changes to Local Housing Allowance, a decline in the Buy to Let market and the fact that many of the housing suppliers are now exploring alternative markets.
- 7.8 Anecdotal evidence suggests that Central London boroughs are taking steps to place an increasing number of homeless households in Outer London boroughs where the rents are more affordable. Haringey has already been proactive in addressing this, by highlighting the likely impacts of out-of-borough placements and 'outward migration' and has recently met with Officers of Barnet, Camden and Enfield with a view to working collaboratively on the joint procurement of Annexes.

8. Head of Legal Services Comments

- 8.1 The Head of Legal Services has been consulted in the preparation of this report and states that section 208 of the Housing Act 1996 requires the Council to discharge its housing functions under Part VII (Homelessness) of the Housing Act 1996 in so far as is reasonable practicable in their own district having regard to the suitability of the accommodation provided when discharging its duties.
- 8.2 Procurement of TA provision must be undertaken in accordance with Council procurement processes and the relevant legislation.

9. Chief Financial Officer's Comments

- 9.1 In October 2010 Cabinet considered a detailed report which set out the changes to the housing benefit subsidy regulations affecting temporary accommodation to be implemented from 1 April 2010 and the estimated financial implications arising from these.
- 9.2 At the beginning of 2010-11, the budget shortfall was estimated to exceed £3 million. However, there were a range of actions that were being taken to reduce this position which included:
- Reducing the number of people in temporary accommodation;
 - Renegotiating the rent payable to landlords with the aim of agreeing a level below the housing subsidy level of 90% of the Local Housing Allowance (LHA);
 - Reducing the level of Private Sector Lease (PSL) voids (including improved letting procedures and a reduction in the time taken to effect repairs);
 - Increasing the use of Housing Association properties;
 - Reducing administration and associated support costs.

- 9.3 This report provides a further update and informs Members of the actions being taken to reduce the forecast deficit and the budget position for 2011/12.
- 9.4 Although some success has been achieved in reducing the net cost of the service through various actions as indicated in paragraph 7.2 of the report, these measures have, to an extent, been compromised by further changes in legislation which have acted to reduce the availability of accommodation at or below the amount now covered by subsidy payments. Thus it is still projected that there will be an overspend in 2010-11 of £2.6 m.
- 9.5 These budget pressures are expected to continue into 2011-12 with the various risks detailed in paragraphs 7.3 to 7.8, especially if outward migration from other 'more expensive' Boroughs occurs at significant levels and also because of the earlier implementation of subsidy arrangements affecting housing associations providing temporary accommodation. Although further actions will be taken to minimise the potential impact on the 2011/12 budget from these risks, growth of £2.2million has been agreed as part of the Council's Medium Term Financial Plan. This is based on an average of 3,200 units of temporary accommodation, a rent collection level of 98% and a PSL void level of 8%.
- 9.6 The current housing rent subsidy regulations allow Councils in London a management fee of £40 per unit per week which represents a contribution of some £5.2m towards the management and administration costs. This is significantly less than the current cost although the shortfall will be reduced once the £2 million in savings (pre-agreed and new savings proposals) across the entire housing general fund budget portfolio has been implemented. The 2011/12 draft budget for all non-HRA housing services has been set at £8.7 million (excluding corporate recharges).
- 9.7 It is extremely important that actions outlined in the report to mitigate the financial impact of the new subsidy arrangements are implemented and the temporary accommodation service is delivered at or below the budget in 2011/12. The budget will be rigorously and regularly monitored in 2011/12 to ensure that any issues are identified and resolved at the earliest opportunity.

10. Equalities & Community Cohesion Comments

- 10.1 A high proportion of households living in temporary accommodation are vulnerable and from Black and Minority Ethnic (BME) communities.
- 10.2 Give the uncertainty and short term nature of this type of accommodation, many households living in TA are unable to plan their lives. There is also a high rate of pupil mobility which means that the duration and location of temporary accommodation has an impact on other council services such as education and social services. It is envisaged that, with longer term arrangements in place and an improved standard of temporary accommodation, families will have more stability and will be in a much better position to plan for the future.

10.3 In order to reduce the extent of pupil mobility within Haringey's schools – and to assist those households that include someone who has special medical, educational or support needs – as much TA as possible is procured in, or close to, Haringey. The only exceptions to this will be where it is in the best interests of the service user (because of domestic violence, hate crime or threats to kill, for example) that TA is provided much further away from the borough.

11. Use of Appendices

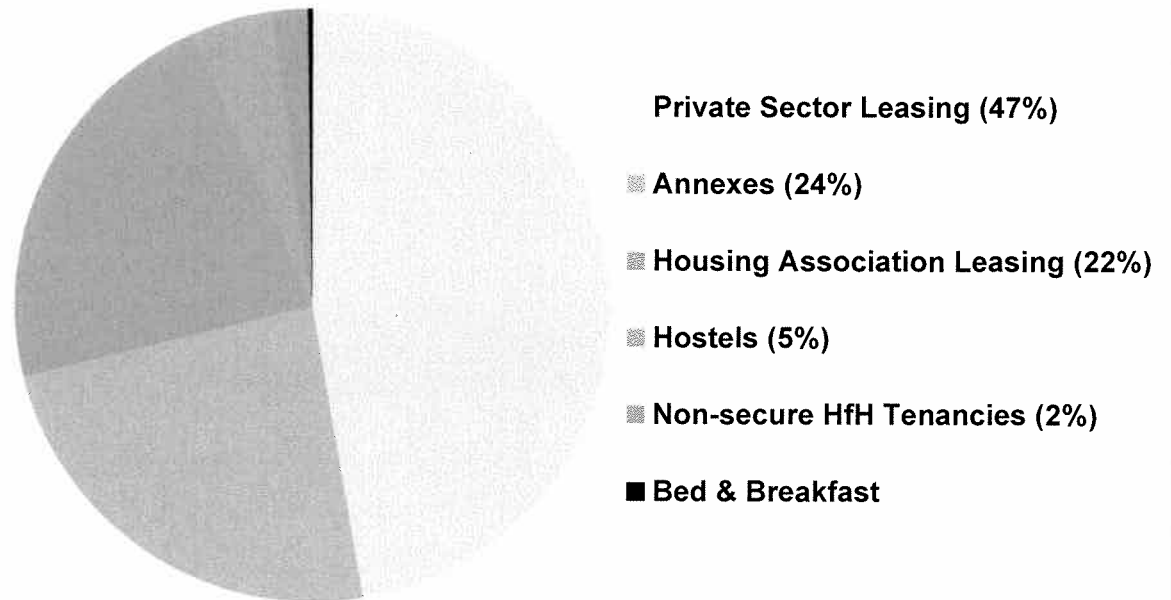
Appendix A – Use and Cost of Haringey's Temporary Accommodation

12. Local Government (Access to Information) Act 1985

Haringey's Homelessness Strategy 2008-11

APPENDIX A: Use and Cost of Haringey's Temporary Accommodation

Temporary Accommodation at the end of February 2011 (3,305 units)



Expenditure on PSLs, Annexes & HALS 2011/12 (000's / Total: £38.65 million)

