

Committee	Dated:
Community and Children's Services	18 November 2016
Subject: Pressure on temporary accommodation budget and services	Public
Report of: Director of Community and Children's Services	For Information
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Summary

Legislation requires the City of London Corporation to provide temporary accommodation to certain homeless households. This is currently funded through Housing Benefit subsidy. However, the income received from this subsidy already falls short of the overall cost.

The implementation of welfare reform, most notably the transition to Universal Credit, is very likely to increase the pressure on the budget for temporary accommodation through higher levels of arrears and bad debt. The impact could see the current net cost to the budget increase from £35,000 to £150,000.

This impact sits alongside a predicted increase in the number of households applying for homelessness assistance, which may require investment in new or expanded services.

Recommendation

Members are asked to:

- Note the report.

Main Report

Background

1. The City of London Corporation is required by law to provide temporary accommodation for certain homeless households who meet criteria defined by legislation. Temporary accommodation is currently provided for 22 households of whom approximately one third are households with dependent children and the rest are single-person households.

2. To meet this statutory requirement, the City sources temporary accommodation from the private sector. The nature of this accommodation ranges from single rooms let on a nightly basis to longer-term properties secured for longer periods.
3. The duration of stay in temporary accommodation is determined by a number of factors – most notably whether the City has a legal “homelessness duty” to secure long-term housing and the availability of such homes to move people into.
4. The law requires the City to assess families and individuals who apply for help under homelessness legislation. This, in turn, determines if there is an immediate requirement to provide temporary accommodation, and, in the longer term, if there is a duty to secure a home for the household. Where such a homelessness duty exists, it can be discharged by providing a secure home, which is most commonly achieved through a social tenancy. Therefore, the availability of suitable social homes often determines how long households will stay in temporary accommodation.
5. Legislation requires a local authority to provide temporary accommodation regardless of cost. The cost of that accommodation is offset by the receipt of Housing Benefit subsidy (set at a rate of 90% of the Local Housing Allowance plus a management fee of £40 per week) and/or client contributions where the applicant is in work.
6. The relevant rate of the Local Housing Allowance has been frozen at the January 2011 level, despite significant rent inflation in the private rented (temporary accommodation) sector. As a result, benefit receipts for temporary accommodation already fall short of the cost. In 2015/16 the City sourced 82 units of temporary accommodation at a gross cost of £308,000. After Housing Benefit and rent arrears are accounted for, the net cost of this provision in the past financial year was £35,000.
7. The use of temporary accommodation across London and the number of homeless households seeking help from local authorities are rising, and likely to continue to do so. This, alongside increased demand in the private rented sector, will increase the future cost of temporary accommodation.
8. The City has experienced such increases in demand for help and accommodation. It should also be noted that the availability of social rented homes for homeless households is under pressure from competing needs within the City (transfers, decant, etc), and access to homes in the private rented sector for homeless households is very difficult to secure.

Impact of welfare reform

9. A comprehensive welfare reform programme is being pursued by government, with the roll-out of Universal Credit at the heart of changes. Universal Credit wraps all benefits, including those for housing, into a single monthly payment made directly to the claimant. Its roll-out to new claimants is expected to be completed by September 2018.

10. The housing element of Universal Credit for those in temporary accommodation will be limited to that of the Local Housing Allowance (Housing Benefit) for the given household size and location. As with the current regime, this is unlikely to meet the full cost to the City of the temporary accommodation it procures (all of which is outside of the Square Mile).
11. Other changes introduced by Universal Credit are likely to greatly increase the cost to the City of meeting its legal obligations to provide temporary accommodation.
12. The design of Universal Credit means that applicants will receive their first payment directly six weeks after their initial claim and monthly thereafter. If in that six-week period a claimant moves out of temporary accommodation, there is a significant risk that they will not repay the City for the rent owed for their temporary accommodation (particularly where the City concludes that there is no ongoing housing duty).
13. The current operation of Universal Credit (whereby the payment made at week six is based on the applicant's circumstances in the seven days before payment is due) means that should the City move a household during the initial six week period, no rent will be paid for the first placement. The legal duty not to accommodate households with children in emergency accommodation (predominantly Bed and Breakfast) for more than six weeks makes this scenario likely for such households.
14. Unlike Housing Benefit, Universal Credit will not be administered by the City but by Jobcentre Plus. This lessens the control in ensuring rapid processing of claims, and the confidence that those requiring Universal Credit have registered a claim. This may delay or reduce payments due – an experience of the system in the existing roll-out areas.
15. Universal Credit will be paid directly to claimants in the first instance. Evidence from local authority areas where Universal Credit has already been rolled out suggests far higher rates of non-payment of rent. Although there is provision for arrangements to be made to pay rent directly to local authorities, this can only be secured through case-by-case applications when the claimants are already in arrears.
16. As a consequence, local authorities are forecasting a significant increase in rent arrears. The London Borough of Croydon (where Universal Credit has been put in place for new claimants) has predicted temporary accommodation rent collection to fall from almost 90 per cent to just over 50 per cent for claimants of Universal Credit in 2016/17.
17. For the City, this would imply an increase in the net cost of temporary accommodation to approximately £150,000.
18. The temporary accommodation management fee payable to local authorities under the current Housing Benefit model will not be paid within Universal Credit. However, the government has committed to continue to pay a management fee

to local authorities. The detail of the level and mechanism for payment has yet to be confirmed.

19. In November 2016, the government will reduce the total amount of benefit payable to families to £23,000 per annum. Households placed in temporary accommodation are not exempt from this benefit cap, which has concerned some authorities housing larger families in accommodation leased from the private sector. In London these homes attract high rents, and local authorities often have to subsidise them to meet their obligation to make them affordable.
20. The City does not currently lease properties, and most of those it houses temporarily or permanently are single-person or smaller households. Therefore, the reduction in the benefit cap will not immediately increase cost to the City, but has the potential to do so.

Mitigating actions

21. Homelessness is driven by a number of factors. Most of these are beyond the control of the City of London or any local authority. As such, the demand and implications for services can be hard to predict.
22. The key mitigations to this financial risk are measures to reduce the overall use of temporary accommodation. The most directly achievable outcome is to reduce the duration of time spent in temporary accommodation. Those the City has placed in temporary accommodation, commonly spend between three and six months depending on their housing need (some sizes of property are more often available than others). This time period may be reduced by securing access to a greater supply of housing into which the City can discharge its duty to house.
23. Such a housing duty can be discharged by the City into the social rented sector, or the private rented sector where a home is suitable, affordable to the applicant and available to them for at least 12 months.
24. Increasing the supply of social rented homes available to homeless households can only be achieved at the expense of other housing needs – such as those that are severely overcrowded. It should also be noted that other City initiatives – such as the redevelopment of Mais House and the consequent decanting of residents – means that there are competing short-term pressures on the supply of available homes.
25. The Localism Act 2011 provided the powers for local authorities to discharge their housing duty into private sector accommodation. The City has yet to exercise this power other than on a voluntary basis, but has set out its willingness to do so in its Homelessness Strategy.
26. The levels of rent in the private rented sector, the interaction with the overall benefit cap and the duties placed on local authorities in terms of affordability and suitability of a home make discharge of duty in this way difficult to secure. It is particularly difficult where an applicant is dependent on benefits and under the

age of 35, as they will only receive housing support to pay for a single room in shared accommodation.

27. However, some local authorities have pursued schemes offering financial incentives to landlords to secure properties – alongside funding deposits and rent in advance. These approaches are available to the City, but have cost and staffing implications (associated with the operation and administration).
28. Such an approach may be more viable for the City, given that the majority of households for which it provides temporary accommodation are single person. Where applicants are aged 35 years or above, there is greater scope to secure bedsit accommodation in the private sector, although competition for units remains significant.
29. Officers will continue to assess the financial risks and implications of the changes set out above. Where the negative impact on budgets is such that investment in alternative services or models is prudent, a business case to do so will be developed. Officers will also investigate the scope to amend the City's Housing Allocation scheme (and the implications of doing so) to increase access to social rented homes, as part of the current process of renewing it.
30. The City already acts to prevent some homelessness applications by supporting access to the private rented sector, or using Discretionary Housing Payments to prevent a tenancy ending. Officers will examine the scope to extend these approaches.

Homelessness Reduction Bill

31. The Homelessness Reduction Bill currently before Parliament will, if passed into law, strengthen the duty on local authorities to prevent homelessness. If these additional burdens are fully funded, the Bill may provide an opportunity to further prevent homelessness and reduce the subsequent need for temporary accommodation.

Corporate & Strategic Implications

32. Preventing homelessness and increasing the supply of and access to accommodation are priorities of the City's Homelessness Strategy, approved by this Committee.

Implications

33. The Comptroller and City Solicitor has been consulted and has no additional comments. There are no additional financial or HR implications arising from this report.

Conclusion

34. The City remains committed to tackling homelessness and fulfilling its legal obligation to those it has a duty to support. Officers are aware of the potential

financial consequences of welfare reform for the temporary accommodation budget and homelessness services. If such consequences warrant further investment in services to reduce the use of temporary accommodation, a business case to do so will be developed.

Appendices

- None

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