

# ***Information/Discussion Paper***

**Social & Community - 8th November 2010**

## **Homelessness Prevention Initiatives**

This note contains the information to keep Members informed of matters relating to the work of the Committee, but where no decisions from Members are needed

### **1. Why has this come to scrutiny?**

- 1.1** To inform Members of the future funding arrangements for homelessness prevention activities, along with the changes to the Housing Benefit (HB) and Local Housing Allowance (LHA) Regulations, and how these are likely to impact on homelessness prevention services. The paper will also inform Members of the intended responses to be taken by the Housing Options Service to tackle these challenges.

### **2. Summary of the Issue**

- 2.1** The costs of homelessness affect our communities on a number of different levels; socially, economically and personally. A report carried out by Herriot-Watt University, published in 2007 stated that the cost per year to the public purse of each household becoming homeless is £5,300.
- 2.2** Since 2004, the Department of Communities and Local Government (CLG) has provided funding to Local Authorities to invest in homelessness prevention work, with Cheltenham Borough Council receiving £65,000 each year in recent years.
- 2.3** As a result, the Housing Options Service has achieved much in delivering an effective homelessness prevention service. The number of households considered to be statutory homeless has fallen dramatically from 336 in 2004/05 to 11 in 2009/10. This is as a direct consequence of an increase in the number of homelessness preventions, which totalled 292 households by 2009/10. A further consequence of this success in preventing homelessness has resulted in the number of homeless households being placed in temporary accommodation falling from 152 at its peak in 2005 to just 17 by end of June 2010.
- 2.4** These achievements have been made despite of a rising number of housing enquiries in Cheltenham First Stop, from approximately 4000 a year in 2008 to 6000 a year in 2010.
- 2.5** The Government announced in June 2010 a number of changes they intend to make to the HB/LHA Regulations, which they have estimated will lead to savings on HB/LHA expenditure of £1,765 million each year. One of the most significant changes will be in the way in which LHA is calculated. This Allowance is currently calculated on the medium market rent, meaning that provided low-income households find a private rented property within the bottom 50<sup>th</sup> percentile of the market rent for the size accommodation they need, the LHA will cover the rent on that property (subject to

their income, etc). These changes mean that households may have to find alternative accommodation in the bottom 30<sup>th</sup> percentile of market rents in order to ensure the rents remain affordable.

- 2.6** As a result, these changes will present challenges to low-income households in terms of the accessibility and affordability of the private rented sector, which will in turn affect the ability of the Housing Options Service to deliver effective homelessness prevention activities. At a recent private landlords' forum held for the County, the commentary from some landlords attending the forum was that they would be less willing to take on low-income households as potential tenants, as the perceived risk of them doing so (i.e. an increased risk of rent arrears) would be greater than it is currently.
- 2.7** To support these new challenges, it was announced in the Government's Comprehensive Spending Review of 20<sup>th</sup> October that Local Authorities' Homelessness Implementation Funds (which have been used to support the Homelessness Prevention Agenda) will continue to be paid directly to Local Housing Authorities, as part of their Area Based Grant. This is an important shift in the Government's original position, as it had been intended that this funding would be transferred instead to the County Council's Area Based Grant. Indeed, the Rt Hon Grant Shapps MP, Minister for Housing and Local Government, stated in his letter dated 20<sup>th</sup> October to Local Authorities, that this shift, 'reflects the Government's commitment to tackling homelessness and to protecting the most vulnerable groups in society.'
- 2.8** As this funding will now form part of the Local Authority's Area Based Grant, it will be for local Members to support and determine the continued level of funding, to maintain and to further develop a successful range of homelessness prevention activities.

### **3. Summary of evidence/information**

#### **3.1 Background – Activities and Achievements to date**

- 3.1.1** The change in the way Housing Options has delivered its Service from simply 'assessing and processing' homelessness households to one that seeks to prevent homelessness from happening in the first place has always been an aspiration for the Housing Options Service.
- 3.1.2** This preventative approach has also been underpinned by legislation, through the introduction the Homelessness Act 2002. This Act placed a duty on Local Authorities to carry out a review of homelessness and to develop a homelessness strategy every 5 years to prevent homelessness and to reduce the use of temporary accommodation for homeless households. Indeed, the CLG set a target for Local Authorities to reduce the number of homeless households in temporary accommodation by half by 2010, from the national peak in 2004.
- 3.1.3** In addition, the Homelessness (Suitability of Accommodation) (England) Order 2003 (the B&B Order) made it a legal requirement for local authorities to no longer use Bed & Breakfast (B&B) accommodation for homeless families, unless in an emergency, and even then the placement could be for no more than 6 weeks. Local Authorities could be susceptible to challenge in the courts by way of judicial review for any placements exceeding 6 weeks.

**3.1.4** These priorities placed on Local Authorities have continued to be supported by the CLG through their annual Homelessness Implementation Fund, which our Housing Options Service has been receiving since 2004.

## **3.2 Local Homelessness Prevention Priorities & Funding**

The £65,000 annual Homelessness Implementation Fund has been used by the Housing Options Service to support some of the key priorities that were set out in the Homelessness Strategy 2008 (Cheltenham's second Homelessness Strategy since the introduction of the Homelessness Act 2002), to help meet national priorities and targets. The range of activities funded are identified in Appendix 1 of this Paper.

## **3.3 Outcomes**

The transformation in the way the Housing Options Service is delivered is demonstrated by the results specified within Appendix 2 of this Paper. These results illustrate the success of homelessness prevention work, with many households now enjoying more settled housing solutions before they reach crisis point.

## **3.4 The long-term success of homelessness prevention work**

**3.4.1** The Housing Options Service carried out research in September 2009 into the long-term effectiveness of its homelessness prevention work, by testing whether these households had reapplied as homeless to the Local Authority again sometime later.

**3.4.2** The results showed that over the period April 07 to March 09 there had been a total of 238 homelessness preventions carried out by the Housing Options Service. Despite this significant number, only 2 of these households subsequently approached the Housing Options Service again and were accepted as homeless.

## **3.5 The benefits of preventing homelessness**

### **3.5.1 Benefits for Individuals**

Successful homelessness prevention has positive impacts on individual households directly affected by homelessness. Where households do need to move home in order to avoid homelessness, they are now more able to do so in a more timely manner either by securing accommodation through Gloucestershire Homeseekers Choice Based Lettings Scheme, or indeed by accessing suitable affordable accommodation in the private rented sector. These options offer households more choice over where they wish to live, and more choice over what type of accommodation best suits their needs. In addition, it reduces stress levels for households by putting more control in their lives, avoiding the uncertainty of being placed in temporary accommodation in a location they are potentially unfamiliar with, away from family, friends, schools and local GPs.

Given the success the Housing Options Service has had in preventing homelessness, it is important to note that households who are threatened with homelessness do not have to take up a homelessness prevention option. They can instead elect to continue with their homelessness application. Yet despite this, households do choose to take up prevention options. This demonstrates that when households are presented with real options to tackle their homelessness, they will take them in preference to going down the traditional homelessness route of temporary housing.

### **3.5.2 Benefits for Communities**

Homelessness Prevention benefits not only the individual households concerned, but also the communities in which they live. If households are choosing to live in the particular communities in which they are housed, they are more likely to buy into that community, thereby contributing to more sustainable communities.

### **3.5.3 Benefits for the Local Authority**

In addition to supporting the Local Authority's corporate priority around strengthening communities, there are also financial benefits to the Local Authority. In particular, as a direct consequence of the homelessness prevention initiatives, the gross expenditure on Bed & Breakfast costs has reduced significantly. In 2005/06 the Local Authority spent £106,132 on placing homeless households in B&B. By 2009/10 this had fallen to £49,462.

### **3.5.4 Benefits to Partner Organisations**

As demonstrated by the research carried out by Herriot Watt University, the costs to the public purse of homelessness are greater than the costs of preventing homelessness in the first place. This shows that homelessness prevention is in the interests of all partner organisations, in that it delivers cost-effective solutions to tackling the needs of more vulnerable members of our communities before those needs become more critical.

## **3.6 Future challenges to the Homelessness Prevention Service - Changes to the Local Housing Allowance (LHA) and Housing Benefit (HB) Regulations**

Changes to the LHA and HB Regulations are being phased in over a two year period from April 2011 (subject to the Regulations becoming law in November 2010). Broadly, the impact of these changes will mean that the private rented sector will become less affordable for low-income households, and private landlords are more likely to view LHA claimants as a greater risk. Details of the specific changes, and when they are to be phased in, along with any potential risks identified, are detailed in Appendix 3. These changes will affect new tenants on the implementation dates stated in Appendix 3. Existing tenants will not be affected until after the first anniversary of their Housing Benefit renewal date which immediately follows these implementation dates.

### **3.6 Impact and potential risks resulting from the changes**

**3.6.3** The private rented sector will become less affordable for low-income households who are at risk of becoming homeless, as they will be required to find alternative accommodation within the bottom 30<sup>th</sup> percentile of market rents if they wish to ensure the LHA will cover the rent on the property. This will lead to increased pressures on the Housing Options Service and on social housing in general. Specifically, the following potential risks have been identified:

- Individual households will experience less choice over their housing options, as their choice of properties will become increasingly restricted geographically to more affordable areas within Cheltenham. This will potentially impact on our ability to achieve more sustainable communities, as fewer low-income households are placed

in areas where they might wish to live.

- Fewer other households in housing need will have the opportunity to be re-housed, as an increase in homelessness generally will increase the overall pressure on the housing register.
- More homeless families are likely to be placed in B&B, and for longer. This is likely to lead to significantly increased costs to the Local Authority on B&B charges. Much of this expenditure has traditionally been recouped from central government through the Housing Benefit subsidies. However, recent changes to the Housing Benefit Regulations mean that in future local authorities will have to meet the more of the costs of B&B placements themselves. Typically, any cost which exceeds that which would be normally paid for on a single person placement (approximately £100 per week), will from now on be met by the local authority instead - regardless of the size of the household.

#### **4. Next Steps – Tackling the challenges facing low-income households in the private rented sector**

Initial ideas for managing the potential risks identified in Section 3.6 above include:

##### **4.1 Developing a Communications Plan**

The Housing Options Service will work with the Housing Benefits Team to ensure that existing tenants that are potentially affected are made aware of the changes and the range of advice, assistance and support potentially open to these tenants, such as debt advice, housing options and benefit take-up advice (for example Discretionary Hardship Payments [DHP]) or links to Floating Support services, where appropriate.

New tenants will need to understand how these changes will affect them before committing to a new tenancy. New LHA rates for different size properties will continue to be published monthly and be available for new tenants, so that they can make informed decisions about the accommodation they decide to rent.

Perceptions and concerns by private landlords need to be addressed, to avoid landlords overreacting to the changes and to reassure, where possible, of the steps being taken to mitigate against potential rent arrears.

##### **4.2 Developing the relationships between private landlords and the Local Authority**

Potential initiatives will be centred around:

- Setting up a Private Landlords Forum to raise general awareness of the issues, and to use the Forum to begin considering the issues, concerns and suggestions for improving housing and support services for tenants and private sector landlords.

##### **4.2 Raising standards in the private rented sector through the Private Sector Housing Team**

This will include an Accreditation Scheme and creating a range of incentives for landlords to sign up to the Scheme. There will be a continued focus on support and ultimately enforcement on properties with Category 1 risk levels under the Housing Health & Safety Ratings System, in order to improve standards of private rented accommodation across the piece, thereby increasing the demand for private rented accommodation by potential tenants who might otherwise have opted for social housing instead.

#### **4.3 Reducing the effect of rent arrears**

This will include joint working protocols with the HB team and other organisations to ensure there are for instance: alerts where LAA/HB is being reduced, use of Discretionary Hardship Payments are used to best effect to prevent homelessness, and that there are timely links and referral mechanisms to Housing Options, Floating Support, Debt Advice, as well as an increasing focus on financial inclusion activities by relevant agencies.

#### **4.4 Reducing the effects of the non-dependent deduction**

In addition to tackling the affordability issues as highlighted above, there will need to be a continued support of mediation and family support services to help prevent the homelessness of young people placed under increased strain with their families as a result of the increased financial pressures.

The Housing Options Service has recently commissioned Cheltenham Community Projects to deliver a Mediation Service for young people, with a focus on tackling relationship breakdown within the family home. This service will need to be effectively linked into the potential pressures on families as a result of these benefit changes. In addition, the Housing Options Service will continue to take a proactive approach to tackling relationship breakdown between young people and their family members, by visiting and negotiating with families members on issues that do not require specialist mediation.

#### **4.5 Supporting households of working age who are under-occupying social housing**

As these households will receive less Housing Benefit as a result of under-occupying social housing, early identification of these tenants via the Housing Benefit Team will be essential. Some households under-occupying social housing will wish to continue to remain there, and therefore the affordability of such properties will have to be considered, along with any potential assistance and support that might be required to enable these tenants to maintain their tenancies in the future (e.g. through budgeting or debt advice).

Other tenants may wish to move speedily, and this will need to be considered through a review of the Choice Based Lettings Scheme, along with potentially extending any Tenants Incentive Schemes, run by some social landlords, to better enable these low-income families to move, rather than run the risk of them falling into rent arrears and potentially being made homeless.

The CBL Allocation Scheme's current policy on bedroom entitlement will also need to be reviewed so that it is aligned with the HB/LHA Regulations on bedroom entitlement.

#### **4.6 Single room rent to under 35s.**

The Housing Options Service will work closely with the Homelessness Forum to consider how best to support those individuals under 35 years, who are on low incomes, and who are currently occupying one bedroom properties in the private rented sector, which will become less affordable once the changes to the single room rate begin to apply. The key focus for agencies will be to identify and assist in ensuring that these individuals are able to make a timely move into more affordable accommodation.

#### **4.6 Conclusion**

Homelessness Prevention initiatives carried out by the Housing Options Service, in partnership with other agencies via the Homelessness Forum, have proven to be highly effective in reducing homelessness. However, with changes to the Housing Benefit/Local Housing Allowance Regulations the challenges facing the Housing Options Service in delivering an effective homelessness prevention service will be significant.

This negative impact will affect not only individual families themselves, but also communities at large. There is also the risk of an increased usage and therefore financial cost to the local authority, in terms of increased, unsubsidised Bed & Breakfast costs.

Some of the negative effects can be mitigated by ensuring that we shape our Housing Options Service in a way that is better aligned to private landlords' and potential tenants' expectations.

Most importantly, however, is the need for the Housing Options Service to continue to be able to support and develop further its range of homelessness prevention initiatives, particularly in light of the changes to the HB/LHA Regulations.

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#### **Background Papers**

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