
AGENDA ITEM: 7 Pages: 29 – 36

Meeting Budget and Performance Overview and Scrutiny Committee

Date 22 September 2011

Subject **Impact of changes in Local Housing Allowance on homelessness and the use of emergency temporary accommodation**

Report of Interim Assistant Director of Housing

Summary This report details the performance of the Council's Housing Service in terms of homelessness and use of emergency temporary accommodation. It considers the impact of changes in Local Housing Allowance on the Council's ability to procure properties in the private rented sector for homeless households and other people who approach the Council for help with housing. It also outlines the actions that are been taken to mitigate this.

Officer Contributors Pam Wharfe, Interim Director of Environment, Planning and Regeneration
Andrew Milne, Interim Assistant Director of Housing
Chloe Horner, Housing Strategy and Business Improvement Manager

Status (public or exempt) Public

Wards affected All

Enclosures Appendix 1 – The Private Rented Sector in Barnet

Reason for urgency / exemption from call-in Not applicable

Contact for further information: Chloe Horner, Housing Strategy and Business Improvement Manager, 020 8359 4775.

www.barnet.gov.uk

1. RECOMMENDATION

- 1.1 That the Committee notes the contents of this report and make comments and recommendations as appropriate.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Budget and Performance Overview and Scrutiny Committee 21st June 2011, Corporate Performance Results Quarter 4, the Committee requested that they receive an in depth report on the impact of change in local housing allowances on homelessness and the use of emergency temporary accommodation when considering Quarter 1 Corporate Performance Information at their meeting 22 September 2011.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Working with the private rented sector (PRS) supports the Council's Corporate Plan 2011-13 corporate objective "Sharing opportunities and sharing responsibilities". There are targets under this objective to reduce homelessness acceptances and the use of short-term nightly purchased temporary accommodation..
- 3.2 The Council's Housing Strategy 2010-11 states that for many residents, the private rented sector provides a more flexible option than traditional social housing. A private rented sector home is more likely to be available in an area of a customer's own choice, for example, close to a school, transport facilities or employment opportunities.
- 3.3 The Localism Bill, expected to be enacted in legislation in November 2011, will enable local authorities to discharge homelessness duty in the private rented sector; moving away from the current position whereby homeless households can insist on waiting, sometimes spending years in temporary accommodation, until social housing is available. This will make it easier for councils to make full use of the private rented sector to address homelessness
- 3.4 The Government is committed to eliminating the budget deficit by the end of this parliament. This will be achieved, in part, by reductions to payments on welfare benefits including Local Housing Allowance paid to people living in the PRS. Local Housing Allowance levels depend on the size of the family and the location of the property and since April 2011 these are capped and based on the 30th percentile of market rents rather than the 50th as previously.

4. RISK MANAGEMENT ISSUES

- 4.1 Being unable to procure enough properties in the PRS could mean that the Council is less successful at preventing homelessness and minimising the use of temporary accommodation. Actions being taken to mitigate this risk are set out in paragraph 9.15 of this report.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The PRS is an important contributor to the choice, availability and access to different housing options for Barnet's diverse community.

- 5.2 Analysis shows that a much higher portion of Black and Minority Ethnic (BME) households become homeless in Barnet than White households. Whilst 32% of the population in Barnet is BME, 58% of those households presenting as homeless and 57% being accepted as homeless are BME.
- 5.3 In addition, council monitoring shows that 60% of households presenting as homeless are led by women.
- 5.3 Therefore, an increase in homelessness and the use of temporary accommodation is likely to impact more on BME communities and households led by women. The Council will have to ensure that housing options strategies reflect these equalities and diversity impacts.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Increases in homelessness and the use of temporary accommodation could increase costs for the Council, both in terms of the cost of dealing with homelessness applications and the potential cost of providing temporary accommodation. Early preventative work and advice to people potentially becoming homeless are important to minimise the financial as well as the social impacts of homelessness and temporary accommodation.
- 6.2 It is also important to continue to work with private landlords and tenants to maintain existing tenancies and to provide quality services to landlords to maintain and increase the supply of housing for use by the Council.

7. LEGAL ISSUES

- 7.1 The statutory duties that local authorities have to homeless people is set out in the Housing Act 1996 (as amended by the Homelessness Act 2002).
- 7.2 Councils must also have regard to the Government's Homelessness Code of Guidance 2006 and a large body of case law when applying homelessness legislation.

8. CONSTITUTIONAL POWERS

- 8.1 The scope of the Overview and Scrutiny committees is contained within Part 2, Article 6 of the Council's Constitution.
- 8.2 The Terms of Reference of the Overview and Scrutiny committees are in the Overview and Scrutiny Procedure Rules (Part 4 of the Constitution). The Budget and Performance Overview and Scrutiny Committee has within its terms of reference responsibility for scrutinising "...the overall performance, effectiveness and value for money of Council services, including the planning, implementation and outcomes of all corporate improvement strategies".

9. BACKGROUND INFORMATION

- 9.1 The private rented sector (PRS) plays an important role helping the Council to meet

housing need in the borough and until recently provided more homes for those in housing need than the combined housing association and council sectors. . The PRS is a key source of additional properties that can satisfactorily house clients who come to the Council for housing help, often providing more choice of location and type of property than traditional social housing.

- 9.2 A short presentation is appended (Appendix 1) to this report which provides an overview of the PRS in Barnet, and the following commentary should be read in conjunction with this.

Changes to Local Housing Allowance

- 9.3 The Government has announced a series of changes to the Local Housing Allowance (LHA), the housing benefit paid to households living in the PRS, as part of its economic strategy to reduce the public budget deficit and as well as seeking to reduce welfare dependency. The changes are designed to help reduce the overall welfare benefit bill by reducing the amount of local housing allowance that can be paid to benefit claimants living in private rented homes.
- 9.4 The key immediate changes in April 2011 were capping at a national level the maximum amount of housing benefit payable according to property size and calculating local amounts payable using the 30th percentile of market rents rather than the 50th as previously. The national capped rate per week payable for each bed size is shown in the table below, along with current local housing allowances that apply in Barnet for September 2011.

Bed size	North West London	Outer North London	Inner North London	National Capped rate per week
1 bed	£173.08	£173.08	£250.00	£250
2 bed	£210.00	£230.00	£290.00	£290
3 bed	£276.92	£288.46	£340.00	£340
4 bed	£340.38	£350.00	£400.00	£400
5 bed	£340.38	£350.00	£400.00	Same as 4 bed

- 9.5 There are a number of other changes that will be implemented in the coming years. 26 to 34 year olds will only be entitled to the shared room rate from January 2012, which currently only applies to under 25 year olds. The Universal Benefit, due to be implemented in 2013, means that total benefits receivable, including housing benefits, will be capped at the national average earnings, currently £26,000.
- 9.6 Existing PRS tenants have transitional protection of 9 months from the anniversary date of their original claim after 1 April 2011. This means that the changes will start to impact on existing tenants from December 2011 with transitional protection ending completely by December 2012. This means that the full impact of the LHA changes for tenants who were already receiving the benefit are not yet fully realised and the situation will need to be closely monitored over the coming months.
- 9.7 Landlords will be concerned about the new caps and whether they can afford to reduce their rents and still pay mortgages and maintain their properties. This is likely to be a major factor in determining whether landlords will allow existing tenants to remain in the property after the anniversary date of their first claim when their benefit no longer meets the current rent.

Housing Market Conditions

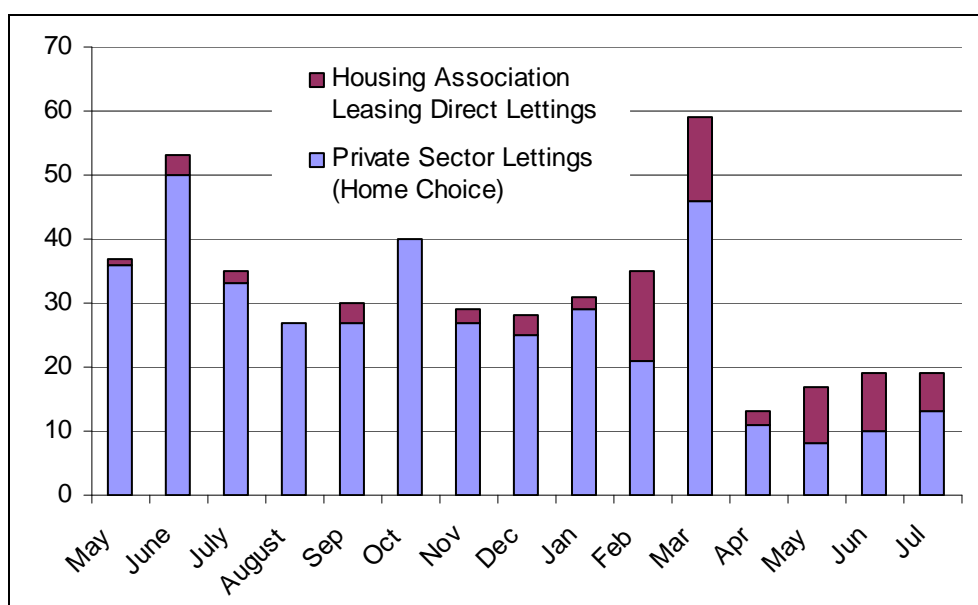
- 9.8 The recession and associated credit crunch has impacted on the housing market. It has become much more difficult for would be landlords to get the mortgage finance to enter the buy to let market or for existing landlords to add to their portfolio due to tighter lending criteria. This has affected the supply of properties.
- 9.9 In addition, property prices have remained high whilst mortgage availability has reduced, meaning that first time buyers are spending longer in private rented accommodation creating increased demand.
- 9.10 In these circumstances it has become more difficult to procure properties for housing benefit claimants, as many landlords are able to secure a higher rent outside of the housing benefit market.

How is this affecting access to private rented sector?

- 9.11 From April 2008 to March 2010, the Council was very successful in the procurement of PRS properties so that the PRS provided more homes for housing applicants than social housing. However, from March 2010 the Council has found it more difficult to obtain private sector properties. This can be seen in the table below, comparing the number of private lets to the number of social over the last 6 years. 447 PRS lettings were secured in 2010/11, the lowest number of private lets since 2006/07.

Lettings by tenure	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Council	492	466	383	367	457	412
RSL	348	170	201	298	249	123
<i>Total social housing</i>	<i>840</i>	<i>636</i>	<i>584</i>	<i>665</i>	<i>706</i>	<i>535</i>
<i>Private rented sector</i>	<i>272</i>	<i>434</i>	<i>509</i>	<i>749</i>	<i>715</i>	<i>447</i>

- 9.12 The table below shows the number of private lets by month, from April 2010 to July 2011. Since April 2011 there has been a sharp drop in the number of monthly PRS lets following the implementation of new lower local housing allowances. If there is no upturn in performance then the Council can expect to achieve only around 240 PRS lettings in 2011/12.



How is this affecting homeless acceptances?

- 9.13 The number of households the Council accepted as homeless fell significantly from 2005 because officers were successful at preventing homelessness by securing alternative accommodation in the PRS. The number of homeless acceptances increased for the first time in 2010/11 as the number of PRS properties available to the Council fell. In 2010/11 the number of homeless acceptances increased compared to the previous year, although there has been no significant increase since April in spite of the fall in the availability of PRS homes from that date. This is partly explained by the implementation of the new housing allocations policy which focuses the Council's resources on those most in need and the beneficial impact of transitional protection for existing tenants.

2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
						Quarter 1
661	476	420	325	231	252	65

How is this affecting temporary accommodation?

- 9.14 The recent increase in the number of homeless acceptances is having some impact on temporary accommodation (TA). The Council had successfully reduced the use of expensive nightly paid emergency accommodation by making much greater use of direct lets in the PRS, reducing the figure from 387 households in Quarter 1 2008/9 to 150 by Quarter 4 2009/10. However, as can be seen from the table below, the number of households in short term TA increased last year as homelessness acceptances increased, but has not, so far, increased significantly since the LHA changes came into effect from April this year, again due to the new allocations policy and the impact of transitional protection for existing tenants.

Type of TA	2010/11				2011/12
	Q1	Q2	Q3	Q4	Q1
Council owned	923	924	946	968	995
Hostels	157	159	149	158	171
Other	8	2	4	6	3
PRS leased by council	204	212	219	205	214
PRS leased by HA	726	665	634	604	559
Nightly purchased	174	193	204	198	202
Grand total	2192	2150	2156	2139	2144

What is the Council doing to secure a continuing supply of properties in the PRS

- 9.15 It is very important that the Council maintains the current pool of PRS properties and that it improves the procurement of new units. This is being done in a number of ways.
- 9.16 The Government has provided additional homelessness grant on a one off basis to help councils mitigate the impact of the LHA changes. In Barnet, this is being used to provide advice and assistance to tenants and landlords affected by the changes, with the focus on helping tenants stay in their existing home, and identifying a potential of properties outside of the borough in less expensive areas.
- 9.17 Services to landlords have been repackaged and re-launched under a banner of "Let 2 Barnet". This includes a menu of options for landlords, from a tenancy finding service where the landlord continues to manage all aspects of the property to a fully managed service where the Council leases the property from the landlord and manages the tenancy on their behalf. The Council is actively encouraging all landlords to be accredited by the London

Landlords Partnership by hosting regular courses in the borough. The Council also continues to engage with PRS landlords at the forum and business club.

- 9.18 A new service is currently being developed where the Council leases a property from a landlord for 6 months as TA and at a higher rent and then passes the property back to the landlord as a standard tenancy on LHA rates.
- 9.19 The Council has entered into a joint procurement arrangement with Haringey, Enfield and Camden to ensure that we do not seek to out bid each other for short term temporary accommodation, and also to provide the host borough with first refusal of properties that become available in their borough.
- 9.20 The North London Housing Sub-region has commissioned a piece of research on the state of the market and to find out what PRS landlords think of the LHA changes. The research is also looking into the feasibility of setting up a sub-regional social lettings agency so that all boroughs would have the same offer to landlords.
- 9.21 The Council is participating in a London wide protocol whereby boroughs have agreed not to outbid each other, by only paying the same that the host borough is offering to landlords. Monitoring of this has been in place since June this year, and provides valuable information on where boroughs are placing homeless people; so far Barnet has placed more people outside the borough than have been placed in Barnet by other councils.
- 9.22 The impact on LHA changes on homelessness and temporary accommodation will need to be closely monitored over the coming months.

10. LIST OF BACKGROUND PAPERS

- 10.1 Barnet Housing Strategy 2010-11

Legal: BH

Finance: MC/JH


Private Rented Sector in Barnet

Strategy September 2011



Overview

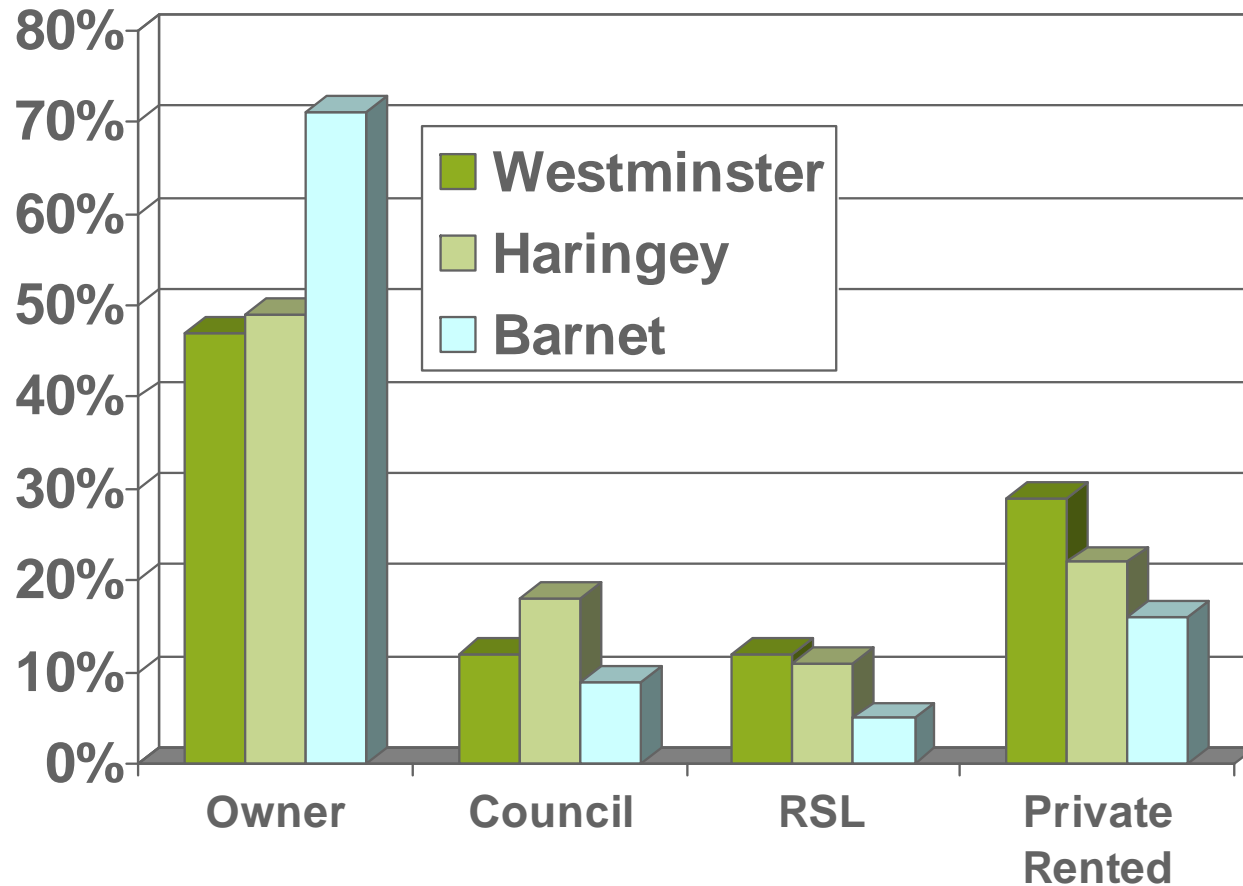
- Evidence
- How we work with Landlords
- Mitigating Actions



For many residents, the private rented sector provides a flexible option which is more likely to be available in an area of their own choice, for example close to a school or transport facilities

***Barnet Housing Strategy
2010- 2025***

The PRS in Barnet



The Housing Needs Survey 2006 estimated that 16% of homes in Barnet are provided through the private rented sector – slightly higher than the combined council and housing association sectors.

Access to housing via council



In 2008 and 2009 the PRS provided more homes for housing applicants than social housing. This is no longer the case

Lettings by Tenure	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11
Council	492	466	383	367	457	412
Housing Association	348	170	201	298	249	123
Total Social Housing	840	636	584	665	706	535
Private Rented Sector	272	434	509	749	715	447

Access to the private rented sector

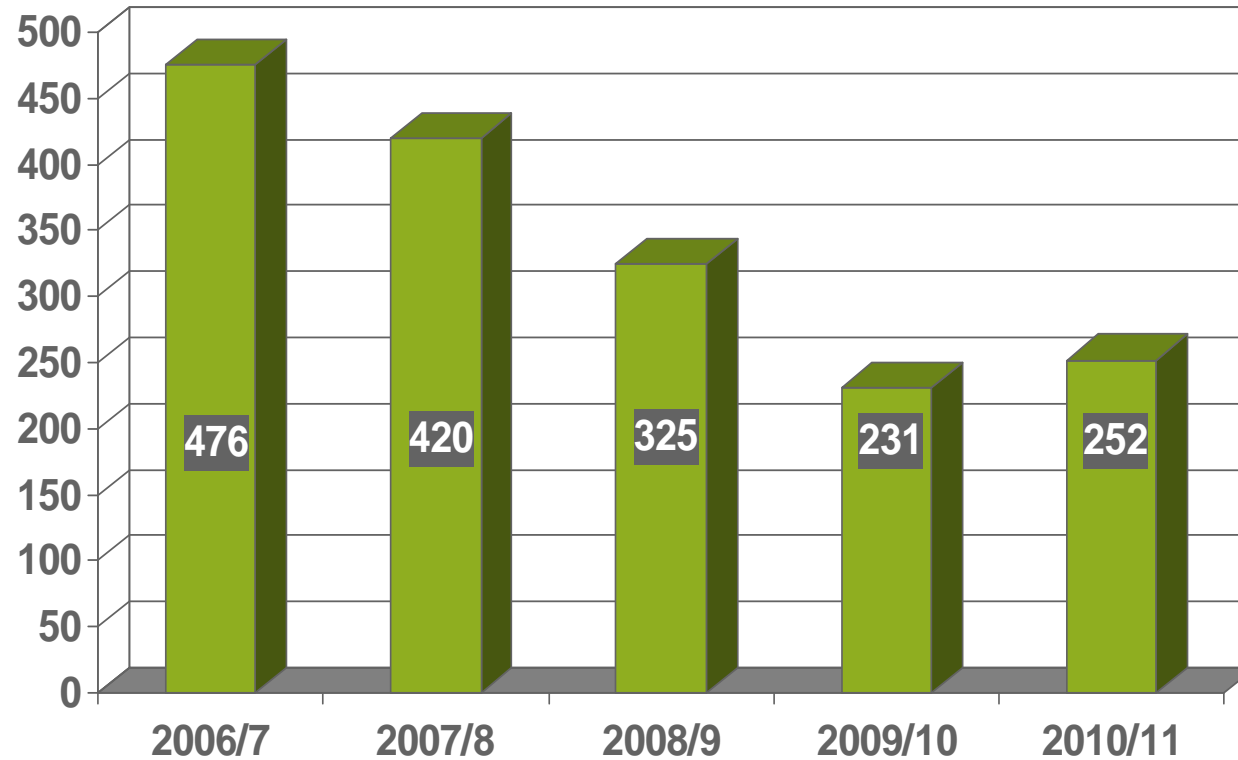
Private sector lets May 2010 to May 2011



Landlords have been less willing to let their properties to the council since local housing allowances reduced in April 2011. This problem has been exacerbated by a highly competitive rental market in London.

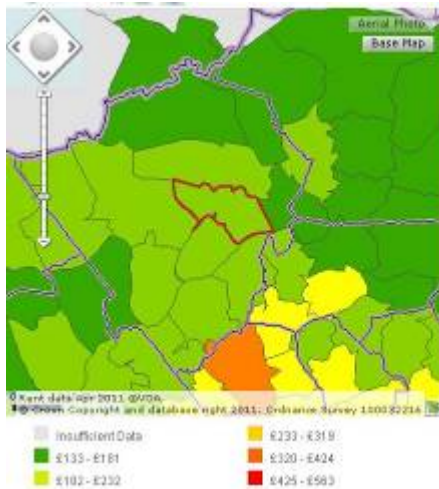
Homelessness

Homeless acceptances

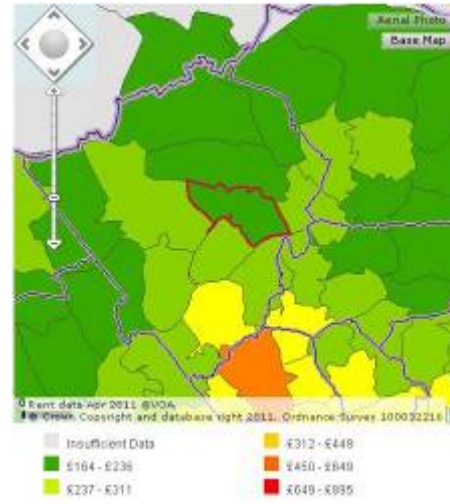


After having fallen for several years, the number of households becoming homeless increased in 2010/11. This was due to a reduction in the supply of private rented homes that the council was able to access.

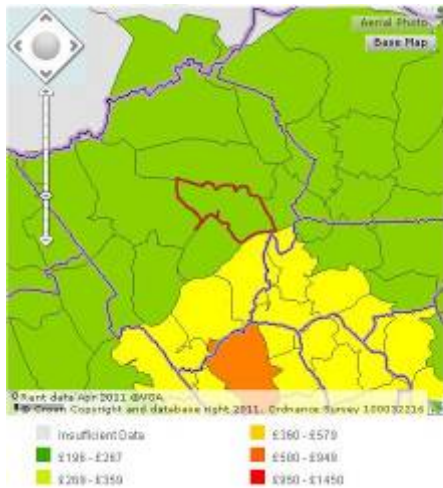
Rent maps



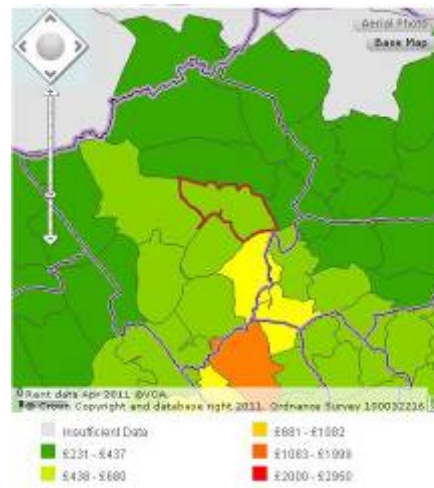
1 Bedroom



2 Bedroom



3 Bedroom



4 Bedroom

Rents in Barnet are relatively high compared Outer London, particularly for larger units in the south of the borough.

Source: London Rents Map

LHA changes from April 2011

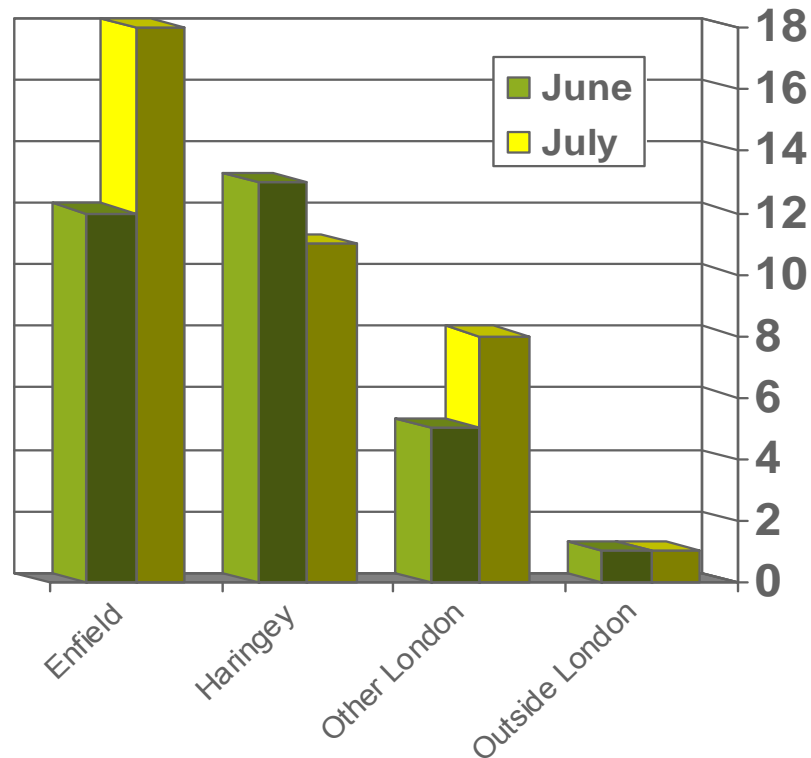
- LHA caps introduced*
- LHA rates based on 30th percentile rent rather than 50th

		shared	1bed	2bed	3bed	4bed	5bed
North West London	July 2010 50th percentile	£87.53	£172.60	£218.63	£276.16	£345.21	£448.77
	July 2011 30th percentile	£80.50	£173.08	£213.46	£276.92	£340.38	£340.38
	% change	-8.03%	0.28%	-2.36%	0.28%	-1.40%	-24.15%
Outer North London	July 2010 50th percentile	£85.34	£178.36	£230.00	£287.67	£379.73	£513.85
	July 2011 30th percentile	£80.00	£173.08	£230.00	£288.00	£346.15	£346.15
	% change	-6.26%	-2.96%	0.00%	0.11%	-8.84%	-32.64%
Inner North London	July 2010 50th percentile	£103.75	£250.00	£330.00	£425.00	£575.00	£700.00
	July 2011 30th percentile	£93.92	£240.00	£290.00	£340.00	£400.00	£400.00
	% change	-9.47%	-4.00%	-12.12%	-20.00%	-30.43%	-42.86%

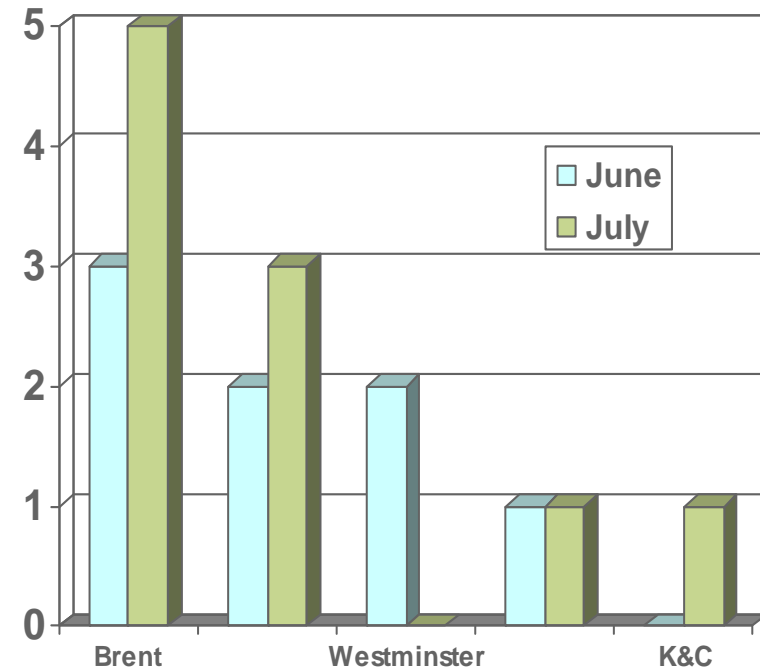
LHA rates have reduced for most categories of accommodation in Barnet, although less than expected in some cases due to local rent inflation.

Existing tenants have transitional protection of 9 months from the date that their annual review takes place, meaning initial impact is on those trying to access the sector.

Inter authority placements – June & July 2011



Households placed by Barnet elsewhere



Households placed in Barnet from elsewhere

Monitoring of inter borough placements started across London from June 2011 – this shows that during June and July Barnet placed 69 households outside of the borough, mainly in temporary accommodation, whilst other authorities placed 18 households in Barnet.

Housing market headlines

Big rent rises predicted for 2011

Tenants already struggling after big increases last year now face a rise of up to 8%, says agent Savills – a blow to first-time buyers

Guardian Feb 2011

Rents increase as landlords take advantage

With the fierce competition for homes, rental gazumping is becoming more commonplace and properties are being let beyond asking price, putting further upwards pressure on the market.

London Evening Standard Jun 2011

Rents hit another record high

Over the past year, rents in London have risen the fastest, with prices reaching a new high of £1,006 per month in June - an annual increase of 6.9 per cent.

FT.com July 2011



Benefit changes still to come



Changes to the benefits system will start to impact on existing tenants from Dec 2011 when transitional protection starts to be withdrawn. 26-34 year olds will only get the shared room rate from January 2012 and from 2013, total benefits receivable will be capped at average earnings, currently about £26k.

More work is needed to assess the impact of these changes

Working with Landlords in Barnet

- Landlord forum and business club
- Landlord accreditation
- Website presence
- Housing resources team

Main offers:

- Direct lets – landlord manages all aspects of tenancy
- Private sector lease – council leases property and manages tenancy
- New product subject to CRC – Barnet leases for 6 months as TA at higher rent, and passes back to landlord following this at standard LHA rent with established tenancy



**Let 2
Barnet**

Let us match your property with a tenant

Quality letting service, including:

- unlimited supply of tenants with references
- personal account manager working with you to ensure a successful let
- rent paid directly to you
- full management service available

For more information:
tel: 020 8359 4761
email: landlords@barnet.gov.uk

BARNET
LONDON BOROUGH

Mitigating Actions

- Use of homelessness grant to
 - Offer support to landlords and tenants affected by benefit changes
 - Identify potential sources of PRS outside of borough
- Sub- regional working including
 - Joint procurement of short term nightly purchased accommodation with Haringey, Enfield and Camden
 - LHA transitional funding (£525k) to set up mobility resettlement service
 - Sub-regional LHA impact assessment commissioned
- Implementation of new Allocations scheme
- Improvements to customer service for landlords
 - e.g. transactions via new web site, dedicated number and e-mail address for landlords