

## Opposition Priority Business –Council meeting 25<sup>th</sup> March 2015

### **The cost of temporary accommodation and what can be done about it.**

#### **Background**

We make no apology for returning to this topic because the spiralling cost of temporary accommodation (TA) is the single largest cost pressure facing the council next financial year. The Director of Finance estimates that the burgeoning cost of TA will cost the Council £7.7m in 2015/16. The total number of households in TA in Enfield stands at 2,698 of which 1,102 are housed in emergency accommodation. This is the 4<sup>th</sup> highest in London.

The cost of TA is the difference between the housing subsidy the council receives from the Government (calculated as 90% x local housing allowance (LHA) per week +£40 management fee per unit) and the rents the Council has to pay local private landlords to secure temporary accommodation. The LHA is the 30<sup>th</sup> decile of the private sector rented market rent level for the Broad Market Rental Area (BMRA). The BRMA boundaries are set by the Government and cover Barnet, Enfield and parts of Haringey. The local BRMA rent levels are the second highest in outer London, which may explain the attraction of Edmonton to private landlords.

The reason the Council places people in temporary accommodation is that the Council has a legal duty to house households that are eligible for homelessness status. This duty was introduced in the 1960s and hasn't been changed substantially by governments of either colour. In days gone by, councils would place homeless families in council or housing association properties. Since the introduction of the Localism Act in 2011, Councils have been able to discharge their duty by placing homeless households in private rented property, whether those households agree or not.

Enfield introduced a new allocations policy three years ago to take advantage of this new power. It had little choice because the demand from, non-homeless households in housing need (primarily decants from its regeneration scheme, overcrowded households, and the disabled, etc) was using up the available supply of new lets of permanent rented accommodation.

The Council is now faced with a major problem in trying to find enough suitable homes for homeless households in the private rented sector in the Borough. Although the private rented sector has grown to be almost a third of the housing stock, these properties are being competed for by increasing numbers of working households that can no longer afford to buy and also by other local authorities who are trying to find homes for their homeless households.

This demand caused by London's magnetic attraction to the rest of the world and within the Country is pushing up house prices and rents across the Capital. The Council (and other councils are increasingly having to place new homeless households in emergency (or what is often termed nightly paid or bed and breakfast) accommodation. Typically, the rent for emergency accommodation in Enfield is about 40% higher than the Local Housing Allowance. Broadly speaking, this difference has to be found from the Council's own resources.

The increasing procurement of rented property by other boroughs is largely due to the unintended consequences of the benefits cap (£500 per week for adult households). This cap is set by the Government at the median national household income and is not subject to tax. Households where an individual works for more than 16 hours a week are exempt from the cap. Although this policy has resulted in large numbers of people obtaining work, the vastly higher living costs in the Capital mean that households in temporary rented accommodation that cannot find employment and live in expensive central areas have to be moved to cheaper areas. This policy doesn't affect most council and housing tenants who live in Central London who do not work because their rent level are much lower than in the private sector.

The majority of households who do not work are lone parents (some 65% of the families in temporary accommodation in Enfield) but also people with mental and physical health disabilities. Whilst the Government has exempted child care from the cap, success in encouraging these groups to take up work has been slow in coming and may not be practicable for a significant proportion of such households.

### **Reducing the number of households accepted as homeless**

Households that present themselves as homeless to the council face several tests laid down by the Government before they can be accepted and the Council becomes responsible for finding them a home. (It is interesting to note that the Homelessness duty was first introduced in the 60s by the then Government of Harold Wilson because several householders in a Welsh town were flooded out and the Council refused to re-house them. The Homelessness duty is now the tail that wags the dog and before the Localism Act virtually all new council and housing association lets were given to homeless families).

The number of households accepted as homeless has steadily risen as a percentage of the numbers who have presented themselves to the Council. 56% were refused in 2011/12 reducing to 28% in 2013/14.

Under Government Guidelines, families presenting themselves must demonstrate that they have no accommodation in the UK or abroad; they must be British or EU citizens or be entitled to live in the UK; they must be in priority need, e.g. have dependent children or be pregnant; they must not have made themselves intentionally homeless, e.g. failed to pay the rent; and finally they must have a local connection, e.g. having lived in the borough for 6 out of the last 12 months or 3 out of the last 5 years or have family connections.

Therefore to take a simple imaginary case: a pregnant EU citizen who claims to have worked in the past and has left her home country because of domestic violence and has a cousin in Enfield would be entitled to be re-housed by the Council. Officers would find it difficult to disprove any of these claims, apart from pregnancy, particularly if the woman didn't speak English.

We argue that the Council must take a far more sceptical and rigorous approach to homeless applicants. The burden of proving claims under the homelessness guidelines should rest with the claimant. Proper documentary proof should be provided that demonstrates the household has no living accommodation in their country of origin. Family

relationships need to be proved by the production of birth certificates, etc. Work records need to be produced by applicants, etc. This may sound harsh but Enfield must not be seen as a soft touch if this problem is going to be contained.

The Council has to have the courage of its convictions and face up to legal challenges that this tougher stance may generate.

### **Provide greater financial incentives to private landlords**

Most new homeless households are being placed in emergency accommodation by the Council because there is no permanent private rented accommodation and the cheaper forms of TA have dried up. Current rent levels in Enfield are shown below for 2 bed and 3 bed properties:

	<b>2 bed</b>	<b>3 bed</b>
LHA	£246 p.w.	£303 p.w.
Median private rent	£278 p.w.	£321 p.w.
Emergency accommodation	£340 p.w.	£400 p.w.

The Council offer financial assistance with deposits in the form of cash payments or guaranteed bonds. It also provides one off non-refundable payments of £1000 to landlords and agents to secure rented properties. Brent Council is said to be willing to offer £5,000 per property in Enfield to secure it. The Council's incentive payments are funded by the Homelessness Prevention Grant (£547,000 in 2015/16). Inner London local authorities receive much higher amounts.

Enfield policy currently is to pay landlords at LHA rent levels on which housing subsidy is based.

We advocate a more targeted approach to landlords who have in the past provided TA on a leased or leased annexe basis but may be considering evicting homeless households in order to re-house them later on an emergency basis at higher rent levels.

Emergency accommodation may generate higher rents, but there are some disadvantages to landlords. There tends to be a rapid turnover of tenants (or licensees to be precise) and consequential void and cleaning and other costs and general uncertainty. We feel that a better and more cost effective balance could be achieved by agreeing higher rents than LHA levels in return for longer term security and lower turnover. We advocate that Officers should put together a revised tenure package that sets out the financial and other benefits of staying with the private sector leasing model.

### **Moving homeless households in TA beyond the Borough boundaries.**

Enfield received more homeless families from other Councils last year than any other borough in London, except for Lewisham and Croydon (approx 1550 compared with 1,900

and 1800). The main placing authorities as far as Enfield is concerned are Barnet, Haringey and Waltham Forest.

The London Council's Pan London Agreement on Inter-Borough Accommodation placements signed in April 2011 states that placing boroughs should not offer private landlords more than the receiving Borough would. This agreement like the previous version is now pretty much a dead letter. Moreover, the private landlords have recently given notice that a case will be brought to prevent anti-competitive behaviour by Enfield in placing households in TA.

Officers in Enfield are currently trying to reach a bi-lateral partnering agreement with an adjacent council to enable them both to procure substantial numbers of properties for rent at lower fixed cost to avoid some of the problems described above. We look forward to receiving further detailed information on the progress of this initiative.

Notwithstanding the efforts to mitigate the costs of TA by the Council, the cost continues to spiral ever upward. In Q2 2014/5 Enfield placed 94 households in other London boroughs. Barnet placed 304 and Southwark placed 437. More importantly, 423 households in total were placed out of London in Q2 2014/15. Barnet moved 64 households out of London, the highest number in London. Enfield have moved no (or very few) households out of London.

DCLG has issued detailed guidance on the definition of suitable rented property. We recognise local authorities need to take into account that accommodation should be found as close as possible to where the applicant was living previously; disruption to employment; caring responsibilities and the need to minimise disruption to children's education.

Officers have looked at the cost saving that could be achieved by moving households in TA to areas on the other side of the M25. The cost saving is achieved by moving households to an area where the difference between rental cost and the LHA is lower than in Enfield. Several promising areas have been identified, such as Hatfield and Welwyn. Officers need to also look at other areas in Essex.

Councillor Oykener has indicated that the Council will not move households outside the M25 if they do not want to go. In our view this is unrealistic. Households need to be identified, who meet the DCLG guidance and who live currently in expensive emergency accommodation. It is absurd to think that properties in Enfield often in tower blocks are more desirable than properties in more rural areas, particularly for families with small children. We are looking for evidence that the Administration is serious about pursuing this approach.

## **Conclusions**

We acknowledge that this is a complex area with no simple solutions. It is also a problem for which the Council is not wholly responsible. However, the Council will be held to account if it does not take the difficult decisions needed and implement them vigorously. We are informed by officers that the council is looking at all of the options listed described above.

This report does not deal with the most obvious solution of all which is for the private sector and the Council to build more housing for owner occupation, for private rent, and for social housing because that is common ground between the parties locally and nationally.

This paper also doesn't deal with losses of Council stock through Right to Buy because this is currently government policy that the Council cannot alter and also the Council is seeking ways to replace these losses with new stock on a one to one basis. We will monitor its success in this regard.

Finally, the paper doesn't cover the Council's main initiative to deal with the cost of Temporary Accommodation, i.e. the Gateway project (spending £100m over 5 years on purchasing private housing in the Borough to alleviate the TA crisis). We think this will make it even more difficult for first time buyers to purchase a property and that the money would be much better spent increasing the social housing stock or purchasing properties in cheaper areas outside London.

### **Recommendations**

We urge the council to:

- Reduce the number of households being accepted as homeless by placing the burden of proof on claimants to demonstrate that they meet the tests laid down in Government guidelines.
- Incentivise private landlords to let to Enfield Council at rents that more closely reflect market levels in order to reduce the use of more expensive emergency accommodation.
- Take steps to move significant numbers of households currently in emergency accommodation to cheaper areas outside the M25.