

COMMITTEE: Finance & Resources
DATE: 2 December 2010
DIRECTOR: Pete Leonard
TITLE OF REPORT: Finance Pressures – Homelessness
REPORT NUMBER: H&E/10/170

1. PURPOSE OF REPORT

- 1.1. This report sets out measures in response to the current pressures in meeting statutory duty to provide temporary accommodation to households eligible for homelessness assistance and in particular the financial implications of continued use of Bed & Breakfast (B&B) accommodation. This includes the use of hotels procured on a 'room only' basis.

2. RECOMMENDATIONS

It is recommended that the Committee: -

- a. Note the current position.
- b. Note the proposed actions to reduce the usage of B&B accommodation and to reduce the charge we pay to B&B.
- c. Agree the revised service charge from 13 December 2010 of £250.33 for temporary accommodation flats.

3. FINANCIAL IMPLICATIONS

- 3.1. The increased charge would address the projected overspend in the current financial year as outlined in the report to Housing & Environment on 26 October 2010. If the recommendations in this report are agreed, the revised estimated deficit would be £664k compared with £675k in the previous year.
- 3.2. If approved the proposed charging could result in an additional income of £1.3 million pa. The detailed analysis behind the proposed increase has been examined by the Benefits Team. It has been agreed that the full Housing Benefit would be payable from Department of Works and Pensions (DWP).
- 3.3. Further actions to identify compensatory savings are being taken forward such as reviewing commitments to commissioning and the re-phasing the recruitment of homelessness staff.

4. SERVICE & COMMUNITY IMPACT

- 4.1. The proposal links to the Single Outcome Agreement and Vibrant, Dynamic & Forward Looking to 'increase the number of temporary homes for homeless people across the City' and 'retain the 24 hours contact point for homeless people'. It also links to the National Indicator and Target 'All unintentionally homeless households will be entitled to settled accommodation by 2012'.
- 4.2. Our public services are high quality, continually improving, efficient and responsive to local people's needs.
- 4.3. The proposals will assist the Council to deliver against, in particular, one of the five key areas of activity – the services we provide and secure for the most vulnerable members of our community.
- 4.4. There are direct links to the Housing Service Plan 2009 – 2012 – Modernisation of Service, the Resettlement & Homelessness Strategy (2009 – 2013) and the Temporary Accommodation Strategy.

5. REASONS FOR THE COST PRESSURES

- 5.1. Last year (2009 - 2010), the number of homeless people applying to Aberdeen City Council fell by 10% compared with the previous year. The average fall for Scotland as a whole was 1.6%. For the 6 months of the current year to date (April – September) homeless applications have increased by 40%, from 1,334 to 1,872
- 5.2. This has had significant impact on waiting times for housing, the numbers requiring temporary accommodation, time spent in temporary accommodation and costs.
- 5.3. At 30 June 2009 there were 69 households in B&B; by 31 July 2010 this had increased to 143. Over the same period the number of dispersed council properties used to provide temporary furnished accommodation increased from 136 to 179.
- 5.4. The numbers accommodated in B&B increased to a peak of 159 on 27 August 2010; this number has since fallen below 130.
- 5.5. However, it should be noted that inability to fulfil statutory duty has increased significantly over the last month from an average of 37 per month between April 2010 and August 2010 to 140 for September 2010 not being provided with temporary accommodation, leaving the Council open to challenges by advocacy agencies such as Shelter, as well as the Scottish Housing Regulator in the forthcoming inspection.
- 5.6. The increased use of B&B accommodation has partly been as a result of not going ahead with the additional 43 places at Aberdon House.
- 5.7. As 2012 approaches, the abolition of priority need will give more homeless households entitlement to both temporary and permanent accommodation. Intentionally homeless will also be entitled to an enhanced level of

assistance. This will make increased demands on scarce resources.

- 5.8. Further commissioning is projected to reduce overall demand through preventative interventions or provision of support therefore cuts to this may be counter-productive in terms of long term strategy.
- 5.9. Reducing the numbers applying and optimising the income from temporary accommodation are the two factors which would have a major impact on budgets. These should be our priority target.

6. CURRENT FINANCIAL POSITION

- 6.1. The gross budgeted expenditure within Housing and Environment for B&B accommodation in 2009 – 2010 was £952k and this resulted in incurred cost (loss of Housing Benefit subsidy) of £657k within Corporate Governance.
- 6.2. The gross expenditure for 2010 – 2011 increased to £1,039k. Actual expenditure is estimated at £2,125k with loss of subsidy estimated to be £1,268k. There is a budget of £51k within Housing and Environment.
- 6.3. The revised estimated deficit would, therefore, be £664k compared with £675k in the previous year.
- 6.4. The table below outlines the impact of the proposals within the report on reducing the potential loss of subsidy.

Estimated deficit (loss of subsidy)		1,268,750
Increased service charge		331,240
Reduced use of B&B	180,000	
Reduced charge for B&B	93,150	
Total reduced expenditure		273,150
Revised deficit		664,360

- 6.5. Further actions to identify compensatory savings are being taken forward such as reviewing commitments to commissioning and the re-phasing the recruitment of homelessness staff.

7. REDUCE B&B USAGE

- 7.1. Based on the existing stock of temporary accommodation and proposals to increase this and alleviate demand it is proposed that B&B usage will be reduced over time as follows:
- Current usage approx. 160 units
 - March 2011 usage 100 units (with St. Fittick's House, additional Temporary Flats & initial PSL properties)
- 7.2. The projection is predicated on future renewal of the HMO licences for the

Bon Accord Street Accommodation Units being granted. Demand for B&B may be higher should these units close.

7.3. The savings resulting from reduced usage are outlined below.

Reduce B&B usage	No.	Monthly cost	Monthly loss of subsidy	Saving on loss of subsidy
Current	160	177,000	106,000	
October	140	155,000	92,000	14,000
November	130	144,000	86,000	20,000
December	120	133,000	80,000	26,000
January	100	110,000	66,000	40,000
February	100	110,000	66,000	40,000
March	100	110,000	66,000	40,000
				180,000

8. REDUCE CHARGES FROM B&B OWNERS

8.1. At present the prices range from £30 - £50 per room per night, excluding hotels, with the proportion of units being towards the upper end of the scale.

8.2. We are now proposing to further re-negotiate the charge we pay to B&B owners.

8.3. We have written to all B&B proprietors currently used requesting that they consider reducing the nightly rate charged with effect from 1 October 2010 given the mutual benefit of the current arrangements. The annual equivalent saving achieved from this initiative so far is £50k.

8.4. It is hoped that reductions in the nightly rates levied in response to our letter will reduce the average below £37 for the remainder of the financial year; the extent being dependent on the level of co-operation.

8.5. The savings from reduction in charges are outlined below.

Reduce B&B charge	No.	Monthly cost			Saving on cost
		Average £43pn	Average £37pn	Average £33pn	
Current	160	206,400	177,600	158,400	
October	140	180,600	155,400	138,600	42,000
November	130	167,700	144,300	128,700	39,000
December	120	154,800	133,200	118,800	36,000
January	100	129,000	111,000	99,000	30,000
February	100	129,000	111,000	99,000	30,000
March	100	129,000	111,000	99,000	30,000
			124,000		207,000
		75%	93,150		155,250

8.6. B&B proprietors can make a substantial income from providing rooms to the homelessness service. Often they can achieve a c95% occupancy compared with a more normal average of around 60%.

9. INCREASE REVENUE – INCREASE SERVICE CHARGE FOR TEMPORARY ACCOMMODATION FLATS

9.1. Currently Aberdeen City Council levies a service charge of £152 per week to cover the management cost of temporary furnished properties.

9.2. Expanded service provision agreed by Council on 30 June 2010 will result in an enhanced level of assistance being available to all persons occupying temporary accommodation, at a significantly increased cost to the Council.

9.3. It is now proposed that the service charge will be increased to £250.33 per week. The table below shows the increase revenue from this increase.

9.4. The detailed analysis behind the proposed increase has been examined by the Benefits Team. It has been agreed that the full Housing Benefit would be payable from Department of Works and Pensions (DWP).

.Temp flats	No.	Current charge	Monthly income with revised charge	Monthly additional income
		£152	£250	£250
Dec	240	158,080	260,000	101,920
Jan	260	171,253	281,667	110,413
Feb	260	171,253	281,667	110,413
Mar	280	184,427	303,333	118,907
Annual				441,653
				331,240
Annual		£2,055k	£3,380k	

9.5. An agreed annual up-rating would ensure that charges remain consistent with costs.

10. REPORT AUTHOR DETAILS

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